

OCTOBER 17, 1988



**CHILE: Adios,
Pinochet**

\$2.00

TIME

Zapped

The Networks Under Attack



T. SCHON



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German engineering. The Volkswagen way.

These words are what set us apart from every other carmaker in the world.

These words explain why our cars look, feel and drive the way they do.

And these words underscore the worth of a Volkswagen. We are, after all, the German carmaker that brings you the benefits of German engineering at prices you can afford. And have for some time. In 1989, we'll enter our 40th year of bringing Volkswagens to the United States; more than 9½ million Volkswagens as a matter of fact.

Over the years, the Volkswagen "way" has evolved from our heritage in Germany of designing and manufacturing cars that people could afford, a family could fit into, and that could perform as well as any car on the Autobahn. The evolution continues. In 1989, watch for a new spacious road sedan and wagon, a high-performance rallye-type car, and a serious German sports car.

Today we are a worldwide organization of 250,000 people who all share the same objective: to work toward a more gratifying driving

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We work to provide an ergonomically sensitive environment for a driver and passengers. In a design that is enduring. In a product that is affordable. From a dealer who contributes to the rewarding experience of owning a Volkswagen.

German engineering. The Volkswagen way. If you're thinking of buying a car in the weeks or months ahead, and if you very much like to drive, we hope you'll soon be moved by what we have to say to get some hands-on experience with "German engineering. The Volkswagen way."

We invite you to join the growing family of discerning car buyers who have become Volkswagen owners.

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For more information on the 1989 Volkswagen models, call 1-800-444-VWUS. *Based on manufacturer's reported retail deliveries through 1987.

A LETTER FROM THE MANAGING EDITOR



1923



1927



1945



1972



1977

TIME

is a weekly newsmagazine, aimed to serve the modern necessity of keeping people well informed. TIME is interested not in how much it includes between its covers but in how much it gets off its pages into the minds of its readers.

Henry Luce and Briton Hadden
Prospectus for TIME, 1922

We have never found any way to improve on that statement of TIME's basic mission. What changes, as the world changes, is how TIME best fulfills the ambitions of its founders. Thus for 65 years the magazine has evolved, both in its appearance and in its content, always with the same goal: to better serve the needs of busy, curious, intelligent readers.

This week we mark one more step in that evolution. In recent months, you may have noticed, we have been experimenting with new ways to organize our stories and present them on our pages. We are now applying a number of these approaches throughout the magazine. We're also adding some new sections.

On the next page you'll find a larger index, designed to let you know promptly what is in the magazine every week. The new Interview section will probe some of the personalities who influence the course of history and thought. American Ideas will bring you closer to people who are not household names but who do make a difference. Critics' Choice will present a convenient and more complete summary of our reviewers' judgments. The expanded People section is, well, just more fun. In all of this, our aim is to find new ways to offer you more information, more quickly and more clearly.

In making these improvements, we have been guided by one principle that does not change: TIME is above all a newsmagazine. As Luce and Hadden understood from the beginning, news is much more than what appears on the front page. A President's decision is, of course, news, as is an earthquake or a coup in a distant land. But news is also an advance in medicine, a success (or a failure) in business, a controversy over a movie. News is an environmental trend, a cultural happening, a book that tells a story never told before, an idea seldom so well expressed.

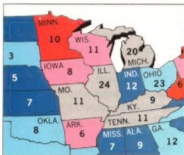
In a world saturated with information—from radio, television, newspapers, specialized magazines—TIME's responsibility more than ever is to deliver understanding beyond the sound bites and headlines: incisive reporting, thoughtful analysis, distinguished writing, compelling photography. That's why we have introduced some new voices in TIME, along with a broader spectrum of points of view.

These changes are part of our effort to transmute information into knowledge, reflecting the full range of the joy and agony and struggle and triumph of life itself. It is still 1988, but I think we are in fact well on our way to a magazine for the 1990s, a vital print companion to the electronic age. We invite you along into an exciting future.



COVER: With new rivals stealing viewers, the networks fight to survive **56**

Once they were the Big Three: rich, powerful broadcasters that determined what America would watch each night. Now ABC, CBS and NBC are struggling against cable, VCRs, independent stations and other aggressive competitors. What's more, the writers' strike has left the fall season in shambles, and the bland batch of new shows will hardly provide any miracle cures. See VIDEO.



NATION: Through the eyes of Toledo, the campaign and the debate play out as episodes in a long-running living-room war **18**

How the presidential race looks—on television—from an important battleground. ► Nervous and overprogrammed, Dan Quayle was overmastered by Lloyd Bentsen. ► The electoral-vote map favors Bush. ► Two striking stories from suburban Chicago show racism's lingering brutality in America. ► Why the U.S. is losing the trade war and what can be done about it—a campaign essay.



WORLD: In an extraordinary nationwide poll, Chile says no to General Augusto Pinochet, yes to democracy **36**

After 15 years of authoritarian rule, Pinochet agrees to uphold results of a plebiscite. While the vote is a turning point, it will not transform the country overnight, and the future is far from certain. ► *Perestroika* brings intriguing changes to the KGB. ► Why South Africa is so eagerly courting its black neighbors. ► Foreign troops are leaving, but Angola still bleeds.



BUSINESS: A year after the crash, the fear lingers

In a special report, investment banker Felix Rohatyn argues that the financial system is still vulnerable. Fundamental reforms are needed, he says, to prevent a banking crisis and a new stock collapse.

48



ENVIRONMENT: An aging nuclear plant comes under fire

After operating for more than three decades beyond public scrutiny, South Carolina's Savannah River weapons-fuel facility may be America's most dangerous nuclear installation.

55



RELIGION: An unorthodox new owner for forlorn PTL

An Orthodox Jewish entrepreneur buys the theme park and TV empire from which Jim and Tammy Bakker once transmitted their high-energy evangelistic appeals. But will Christian tourists ever return?

65



ART: The Degas show of a lifetime opens in New York

The complicated and sometimes elusive painter is seen with an unprecedented—and probably never to be duplicated—completeness in the huge show of more than 300 works being unveiled by the Metropolitan Museum this week. Never mind the crowds and souvenir selling. This retrospective superbly presents Degas as the exemplary realist, an artist who was an engine for looking, a being whose destiny was to study *La Comédie Humaine*.

66



INTERVIEW: Education critic Allan Bloom lashes back

Insisting that liberals are destroying the foundations of Western thought and culture, the contentious author of *The Closing of the American Mind* denounces his book's opponents.

74



MUSIC: Gloomy? This little tune will ease you

Bobby McFerrin sings a spot of scat, a bit of jazz and a lot of soul. His *Don't Worry, Be Happy* is the flukiest, sunniest No. 1 single of the year, and McFerrin is one of the most skillful hipsters around.

79



TRAVEL: The smiling allure of a templed kingdom

A modern never-never land of scintillant temples, green hills and azure shores, Thailand is this year's hot holiday spot. If lush exoticism is not enough, grand luxe and great bargains are also near at hand.

84

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80 Books

Cover:
Red Morgan

From the Publisher

I hope you have already read the letter from managing editor Henry Muller on the opening page of this issue. In it, he discusses the ideas behind the innovations you will notice as you read the magazine. Let me go one step further and describe some of the specific stories that illustrate these changes.

American Ideas introduces you to **Sister Pearl Ceasar**, a Roman Catholic nun in El Paso's Rio Grande Valley. Using the precepts developed by the late Saul Alinsky, a Chicago social activist, she is leading a campaign to bring drinking water to impoverished families along the Mexican border.

Our Interview is with **Allan Bloom**, the University of Chicago political philosopher whose best-selling book *The Closing of the American Mind* has prompted a sobering reappraisal of U.S. higher education. The exchange, which lasted four hours, was conducted by senior correspondent William McWhirter.

In the Travel section, contributor Pico Iyer takes you to Thailand, the "Land of Smiles" as well as this year's hottest new tourist destination. Iyer spent several weeks exploring the Asian jewel, from the cool allure of the hill town of Chiangmai to the



Hoglund with Ackemyer, left, and McCudden

"In design, the rule is that form follows function."

to function as tools to provide more information and organize it in a way that makes it easily accessible to the reader." The rest is up to you.

seaside resort of Pattaya to the thriving capital of Bangkok.

To help you find these and other stories, the index has been expanded to two pages. If an index can be likened to a restaurant menu, the People section can be compared to dessert. Starting this week, dessert is regularly two pages instead of one.

This issue also marks the introduction of a subtle but distinct change in look, including a bolder use of photography and more graphics. These and other design alterations are the work of Rudolph Hoglund, *TIME*'s art director for eight years, who was assisted by designers Angel Ackemyer and Colleen McCudden. The team set out not to remake the magazine but to fine-tune it visually. "One of the oldest rules in design is that form follows function," says Hoglund. "All our changes are intended

Robert L. Miller

The popcorn's
in the kitchen.
And the movies
are on CBS.

TUESDAY
OCTOBER
11



She used to think the outback was where the pool is.

Then she dove into adventure in the land down under.


OUTBACK 
Bound

Donna Mills

THURSDAY
OCTOBER
13




His mother is living with his best friend. His father is losing control. His land is being taken away. It's time to fight.

RED EARTH, WHITE EARTH 
Genevieve Bujold Timothy Daly

FRIDAY
OCTOBER
14



Matt Dillon.
An American legend. A Western hero.
The only man who can save his town.

GUNSMOKE: Return to Dodge 
James Arness Amanda Blake

SUNDAY
OCTOBER
16



Winner of seven Academy Awards... including Best Picture!

OUT OF AFRICA 
Robert Redford Meryl Streep



Check local listings
for time and channel.

Letters

DATA SNATCHERS

"In the hacker ethic, any weakness can and should be exploited."

Chris Charla, Birmingham, Mich.

If there is a cure for the computer "viruses" you describe [TECHNOLOGY, Sept. 26], it will be found by students. As a computer educator, I see these youngsters as brilliant technical soldiers who are not afraid to experiment before being instructed. They will be the ones to prevent a national electronic Armageddon.

Lois Ritz
Oakdale, N.Y.

There are a lot of ways for programmers looking for a thrill to use their prodigious talents. But they can contribute positively to society rather than cause it potentially serious problems. We must condemn their aberrant activities and not give them "grudging respect."

Martha Greene
West Hartford, Conn.

Many virus writers are former hackers seeking one more area of the computer world to master. In the hacker ethic, any weakness can and should be exploited. There are reports of second-generation viruses that could ruin hardware. Such damage would be expensive.

Chris Charla
Birmingham, Mich.

TIME describes a newspaper reporter's losing six months of work when a floppy disk was eaten by a virus. But any sensible computer user knows that operating without a backup disk is like learning a tightrope act without a safety net. You can't be too busy or too cheap to copy your work.

Thomas R. Arneberg
Aloha, Ore.

Gunned Down

As I returned from my job and read about the demise of the Brady amendment, which would have strengthened controls on the sale of handguns [NATION, Sept. 26], I reflected on my day. It began when a madman wielding a handgun rushed into our office, shot and killed a co-worker of mine, threatened several employees and then killed himself. These deaths and the trauma of the event were devastating to those involved. The House's rejection of this amendment is to-



tally irresponsible. The upcoming election is the time to put into office those leaders who represent the 70% of Americans who favor tighter gun control.

Miles Holmes
Canton, Mich.

Make no mistake, this amendment was only the beginning. The ultimate goal of its proponents is confiscation of all guns in the private sector.

Gary Charville
Milford, Ohio

The Constitution grants us the right to bear arms, but that is because civilian-owned firearms were a major component of our defense arsenal 200 years ago. They were also used to secure food. But in 1988, guns are unnecessary.

Tom Mac Fadyen
Sunnyvale, Calif.

If the 21,000 people who die annually from handgun violence perished on a battlefield, their deaths would be considered acts of war, and the Government, media and nation would immediately mobilize. Do we need to erect a memorial inscribed with the names of these dead in order to provide a focus for this national tragedy? Apparently when peo-

ple are murdered one by one it is of little concern to the members of Congress who sided with the N.R.A. and voted to defeat the Brady amendment.

Dorothy L. McGann
Upper Montclair, N.J.

The antigun coalition should stop portraying the National Rifle Association as a money machine from outer space. The N.R.A.'s "cold cash" comes from members like me, who contribute so that their concerns will be known in Washington and their rights protected. The N.R.A. gives full value for the money.

J. Lawrence Buell IV
Hillside, Ill.

Student Garb

As a teacher in an inner-city high school, I applaud the back-to-uniforms movement of some schools [LIVING, Sept. 26]. Uniforms are cheaper for parents and make for a more disciplined educational atmosphere. They remove the stigma of poverty from those students who are unable to enter the "fashion show" and protect them from the daily blows to self-esteem that might drive them to dealing drugs for the money to keep up.

Joanne Miles
Fort Lauderdale

I agree with those who criticized dress codes at school. If everyone's clothes look the same, you can't see how people vary. I wear tie-dyes, and one of my friends wears jeans and rock-concert Ts. Each of us is different in her own way.

Betsy Howe
Southbury, Conn.

Baseball's Egghead

Any suggestion that A. Bartlett Giamatti, ex-president of Yale, will not be able to handle baseball's future problems is a joke [PROFILE, Sept. 26]. For anyone who has successfully run a high-powered university like Yale, dealing with groups such as balky owners, managers, the Major League Players Association and umpires will be kid stuff. All of these have their counterparts in boards of trustees, department heads, faculty associations and unionized university staffers.

Cosmo R. Castaldi
West Hartford, Conn.

TIME's New Number

TIME readers may now take advantage of facsimile transmission to speed delivery of their Letters to the Editor.
TIME's fax number is (212) 522-0907.

A CLOSER LOOK REVEALS WHO'S LOWEST.



NOW IS LOWEST
By U.S. Gov't. testing method.

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Competitive tar level reflects the FTC method.

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Smoke Contains Carbon Monoxide.**

Letters

Deafening Beat

The report on hearing loss caused by loud rock music hit home with me [HEALTH & FITNESS, Sept. 26]. My husband, a musician, is a firm believer in stereo blasting, especially in the car. If I ask him to lower the volume, he says, "It was meant to be played loud," or "I can't hear all the instruments." I respond, "It causes me instant pain." He tells me I'm showing my age (28), and maybe this is so. The years of noisy music have finally caught up with me.

Melissa Marra
Riverview, Mich.

First rocker: "My hearing is shot!"

Second rocker: "Huh?"

The wages of din is deaf.

Loren C. Fitzhugh
New Castle, Ind.

Jews in Vermont

In 1978, when I arrived in Burlington, Vt., to serve a Reform congregation [AMERICAN SCENE, Sept. 26], I found three segments of the Jewish community. One glorified the old days, when their fathers established traditional synagogues and supporting institutions. A second group of IBM and GE pre-yuppies wanted the northern New England life-style but felt compelled to have temples much like the ones they left in the big cities. Lastly, there were Jews who had been ostracized by both groups because of intermarriage and made the Unitarian Church their spiritual focus. I wish the L.L. Bean Zeitgeist of rural New England Jewish identity you describe had existed ten years ago.

Steven J. Mason, Rabbi
West Hartford, Conn.

I loved your piece at first reading. The second time through, I sensed something was amiss. On the third read, I discovered that not one of our outstanding women was mentioned, with the exception of Judith Chalmers, who was noted only in passing. There are many women in our synagogue, young and old, who are not only active but also activists.

Ruth Snow, President
Beth Jacob Synagogue
Montpelier, Vt.

You might have mentioned that the Governor of Vermont is a Jewish woman.

Charles Barasch
Plainfield, Vt.

LETTERS TO THE EDITOR should be addressed to TIME, Time & Life Building, Rockefeller Center, New York, N.Y. 10020, or may be faxed to TIME at (212) 522-0907. They should include the writer's full name, address and home telephone. Letters may be edited for purposes of clarity or space.



Critics' Choice

MOVIES



BIRD. Clint Eastwood's passionate biography of jazz great Charlie Parker hits the high notes, and finds new blue ones, in the story of a genius who could resist everything but temptation.

PUNCHLINE. An inspired Tom Hanks, our reigning master of desperate expediency, steals the show from a coolly expert Sally Field in writer-director David Seltzer's foray into the world of stand-up, knock-down comedy.

TRACK 29. It's mother love with the proper stranger in this surreal treat from director Nicolas Roeg. Theresa Russell is the troubled mom, Gary Oldman the man who may be her son.

DEAD RINGERS. David (The Fly) Cronenberg directs a spooky parable of split identity: twin gynecologists drive themselves to dementia and a symbiotic suicide-murder.

MUSIC



DAVID LINDLEY & EL RAYO-X: VERY GREASY (Elektra/Asylum). Good-time music to dance to, or goof to, much of it with a Caribbean inflection. Produced by Linda Ronstadt, with minimal sheen and plenty of humor.

THE LAST EMPEROR (Virgin). Ryuichi Sakamoto, David Byrne and Cong Su collaborate on a big, bold score for a big, bold movie.

RAY CHARLES: JUST BETWEEN US (CBS). Sublime. When Charles sings *Stranger in My Own Hometown*, there doesn't seem to be a lonely corner his voice can't reach.

THE MAN WHO MISTOOK HIS WIFE FOR A HAT (CBS). Oliver Sacks' neurological case study of a failing mind and a stalwart heart comes to vibrant operatic life in Michael Nyman's deft minimalist setting.



BOOKS

BERNARD SHAW: THE SEARCH FOR LOVE by Michael Holroyd (Random House; \$24.95). The first of a projected three-volume life takes its brilliant, cantankerous subject to age 42, through journalism—and love affairs—to playwrighting and toward his towering reputation.

THE LETTERS OF T.S. ELIOT 1898-1922 (Harcourt Brace Jovanovich; \$29.95). At last! The poet's centenary marks the publication of the first volume of his correspondence.

THE MAGIC LANTERN by Ingmar Bergman (Viking; \$19.95). Like a box full of old slides—or a Bergman movie—the Swedish director's searching memoirs are alive with frozen moments, many of them cruelly revealing.

THEATER



PAUL ROBESON. The script is uncritical idolatry, but Avery Brooks (*Spenser: For Hire*) gives this one-man Broadway show a dignity, emotional force and singing voice as awesome as the American original.

A SHAYNA MAIDEL. Gordana Rashovich has resumed a stunning performance in this off-Broadway story of a family divided by Hitler's Holocaust.

RUMORS. After a meditative family trilogy, box-office champ Neil Simon returns to riotous farce in his 23rd play, at San Diego's Old Globe on its way to Broadway.

KINGFISH. Buck Henry is a prissy-elegant queen who tangles with a hustler in Marlane Meyer's absurdist farce at the Los Angeles Theater Center.



ART

ALBERTO GIACOMETTI 1901-1966. Hirshhorn Museum, Washington. The paintings, drawings and familiar elongated sculptures of the great Swiss-born modernist. Through Nov. 13.

POUSSIN: THE EARLY YEARS IN ROME. Kimbell Museum, Fort Worth. The first major show in North

America devoted to the 17th century master who was the father of classical French painting. Through Nov. 27.

PAUL GAUGUIN. Art Institute of Chicago. Two major attractions in one: a huge, revelatory retrospective that shows Gauguin whole for the first time, housed in the top floor of the institute's new Rice Building. Through Dec. 11.



TELEVISION

THE MIND (PBS, debuting Oct. 12, 8 p.m. on most stations). Four years ago, PBS explored *The Brain*; this nine-part follow-up series probes deeper, into such topics as the psychology of depression, addiction and violence.

THE WORLD SERIES (NBC, starting Oct. 15, 8 p.m. EDT). The network of the Olympics comes home for America's fall classic, and Vin Scully and Joe Garagiola dust off their baseball anecdotes.

A PERFECT SPY (PBS, debuting Oct. 16, 9 p.m. on most stations). John le Carré's autobiographical spy novel, about an intelligence agent's relationship with his con-man father, makes an offbeat, seven-part *Masterpiece Theater* entry.

ROSEANNE (ABC, debuting Oct. 18, 8:30 p.m. EDT). Is America ready for a whiny, overweight prime-time heroine? Comedian Roseanne Barr, who plays a blue-collar working mom in this new sitcom, aims to find out.

American Ideas



Fighting for Water in The Colonias

A Texas nun teaches Mexican Americans the uses of Chicago-style political activism

Tramping softly through the sandy West Texas soil in her paisley skirt and black leather heels, Pearl Ceasar looks more like the first-grade teacher she used to be than the nun-turned-troublemaker she is.

Ceasar is the paid organizer for a church-based citizens group that is struggling to bring drinking water to thousands of impoverished families along the Mexican border. As such, she mobilizes working-class Hispanics who live in a warren of unregulated subdivisions called *colonias* that sprawl across miles of cotton fields in El Paso's lower Rio Grande Valley.

This September afternoon Sister is working the back roads of Socorro, a 17th century Spanish mission hamlet, mustering turnout for a meeting with an important politician. In the doorway of a cinder-block home, she embraces a key worker, Anastacia Ledesma, but wastes no time on niceties. "*¿Cuántas personas? Ciento, maybe?*" the nun asks in her novice Spanish, inquiring how many supporters the area can deliver to the meeting. "*Doscientos*," comes the reply. "Ah, *muy, muy bien*," exclaims Ceasar. "Four buses. This time we'll fill four buses."

For Ceasar, 45, mobilizing the *colonias* is a lot like the teaching she did in Louisiana and Oklahoma as a Sister of Divine Providence. "We're only giving people the tools to act—like learning to read," she explains. "We're teaching extraordinary things to ordinary people."

But ten years ago, wanting "to make a difference," she became an organizer with the Industrial Areas Foundation (IAF), a community-action effort formed by master social organizer Saul Alinsky. A tough, tenacious workaholic, the nun has gained a sharper insight into the *colonia* dwellers'

plight from her own roots: her Syrian grandparents encountered discrimination in rural Louisiana at the turn of the century.

Sister wants to pack Socorro's La Purisima Church parish hall to the rafters to send a message to state officials that no one in the 350 ragtag subdivisions will rest until pipes are laid and water is flowing.



Sister Pearl brainstorming with Father Ed Roden and other leaders

"All these people want is a basic right. They shouldn't have to beg for water."

Already the El Paso Interreligious Sponsoring Organization (EPISO), for which she works, has made an imprint. Its ganging pressure at the city, county and state levels since 1983 has snared endorsements, a formal commitment of water and a pledge for help in getting a delivery system of mains. But the Government has yet to produce one drop or funds to dig a single trench, and for many, life's basic necessity may still be years off.

The irony of hardworking blue-collar families drinking from contaminated wells or lugging five-gallon cans for miles to their kitchens is most galling, of course,

to the have-nots themselves. "We keep hearing promises—water pretty soon, pretty soon," laments Celia Mendoza, who homesteaded here with her husband and two young daughters four years ago. "But most of it has turned out to be a bunch of lies."

Greedy promoters and Government bungling helped mire the communities in their fix. But the root cause was nothing more sinister than the hope of the down-and-out for a slice of the American dream. Since the '60s, low-income families from El Paso's barrio, 15 miles to the northwest, have been moving here, lured by the open spaces and the hype of half-acre lots for as little as \$1,000 down and \$100 a month. Water, they were assured, would be forthcoming. And it was, until 1979, when the influx became such an avalanche that El Paso's public utility put an abrupt halt to further water hookups.

"Unless something is done," Sister Pearl tells residents, "more problems are coming. More *colonias*, more people without water." Her job requires a healthy measure of outrage, something not difficult to acquire in neighborhoods rank with the odor of cesspools and defective septic tanks: in addition to 28,000 people without water in the El Paso area, some 53,000 live without sewer systems. At a crook in the road outside Socorro, the nun pulls the car over and gestures toward a field of white cotton. "The waterlines just stop there. Can you believe it? All these people want is a basic right. They shouldn't have to beg for water."

A woman in a subdivision named Country Green tells of well water so cruddy that it broke her washing machine three times. Outside a small house nearby, Francisca Jimenez, mother of eight, casts an eye south toward the Mexican countryside she left eleven years ago. "I was better off there than my children. At least we never lacked for water or sewer." Illness in the *colonias* is running at Third World levels. The hepatitis rate in some areas is close to 100%, with nearly every well lying dangerously close to sewage flows.

Effective as Ceasar is, EPISO's real successes are the product of its rank and file and of a basic strategy called commu-

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Yamaha introduces the PSS-140, the only 100-voice keyboard you can buy for under \$100. That's less than a buck an instrument. You get a piano, banjo, guitar, saxophone, trumpet, trombone and a truckload more. The PSS-140 also features single-finger accompaniment, 10 preset rhythms, and a complete 5-piece drum set you can play with the tap of your fingertips.

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Watch

Campaign: The Choice

Television's most probing look at the forces that have shaped two men and their ideas.

**FRONTLINE
TIME**

Monday, October 24th, 9:00 PM on PBS, check local listings.

TIME, OCTOBER 17, 1998

American Ideas

nity action: first sell the downtrodden on their ability to bring about massive change within the system, then inspire them to go out and do it. The tactics are ingeniously simple but hardly new. They date to the 1930s when Alinsky used them in an Irish-American slum behind Chicago's stockyards.

Making them work with first-generation Mexican Americans who speak little English and are wary of Government poses a particular challenge. "What we are telling people," says the nun, "is that the system has failed and you must rise to fill the gap. Your vote makes a difference. You must organize."

Often, EPISO's workers encounter cold stares and slammed doors. Caesar encourages them to return. "Once people understand they can change things," she explains, "the apathy starts to wash away." Hundreds of one-on-one meetings hasten action. Key volunteers work the neighborhoods on weekends, always heeding IAF's golden rule: "Don't do for others what they can do for themselves."

The chief agitator, Caesar, stays behind the scenes, badgering politicians, gathering IOUs, mapping recruitment drives. "It's easier to talk with a public official," she explains, "when you've got 30,000 signatures behind you." Ernie Macias, who has been waiting ten years in his hillside trailer for water, says with a chuckle, "Sister knows how to give people hell."

She shakes off earlier snipings at church activism. "The message of the Last Judgment is clear. We have an obligation to help others."

At retreats and briefings, EPISO's lieutenants get a full grounding in the Alinsky doctrine from the no-nonsense nun. She talks of the nature of power and how to "build community" and suggests they read Alinsky's *Rules for Radicals*. More to the point are sessions on how to meet a city council member, register new voters and "leverage relationships." That is, put the screws on public officials.

At EPISO's headquarters in a drab storefront, she conveys her excitement to a covey of volunteers planning a mass sign-up drive. At one parish, churchgoers will be buttonholed after Sunday Mass. "Can we get the ushers to help us?" she wonders. "You're the oil that makes everything move," she tells workers. They laugh. "She teaches us power and strength," a housewife confides.

"The momentum is with us," boasts Father Ed Roden, a key organizer. "The people rose up; they're getting action." Change never comes nicely. Alinsky's disciples preach. Nor fast. Sister will be content if a few hundred water hookups can be made by year's end. That will be a signal the *colonias* are on the road to controlling their own destiny. —By Richard Woodbury

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The new Model 30 286 runs most of the DOS applications you use today, like Lotus 1-2-3® Display Write™, Microsoft® Works and dBase®. It accepts a variety of PC AT® expansion cards, and like the other entry level PS/2 models, many PC and PC XT™ cards as well.

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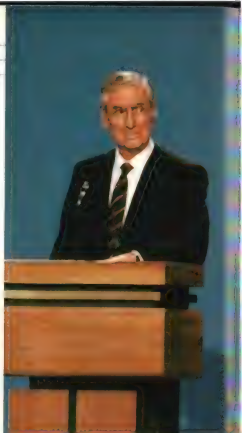
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TIME OCTOBER 17, 1988



At the Heitger debate party the verdict was Bentsen



How It Plays In Toledo

The debate and the campaign as seen through the eyes of a key Rustbelt city

BY WALTER SHAPIRO



Mainstream America has no fixed address, but Toledo provides as good a vantage point as any to watch the couch-potato campaign of 1988. This slowly reviving industrial city of 338,000 has more than its share of card-carrying Reagan Democrats—and all of Michael Dukakis' victory scenarios depend on wooing these blue-collar defectors back to the fold. But the struggle for their hearts and minds is oddly disembodied. Even a Dukakis visit to Toledo last week was merely a cameo for the cameras. Here, as elsewhere, the election has become largely reduced to the impressions created by the 300,000 tiny points of light on a television screen.

This living-room war last week produced a titanic battle—Wednesday night's Donnybrook between Lloyd Bentsen and Dan Quayle—that might be called *The Revenge of the Second Bananas*. Bentsen was solid, senatorial and soothingly statesman-like. Quayle, who often seemed as lost as an actor missing half the pages of his script,

struggled to overcome his own Throttlebottom image—and lost. The one-sided debate did not instantly alter the Electoral College arithmetic favoring George Bush, but it did appear to have kept the race open as the two presidential contenders head toward their final face-off in Los Angeles this week. Wavering voters on the verge of committing to Bush may now pause, reflect and wait for the next act in the TV docudrama.

That certainly was the impression formed in one west Toledo household, where Betty and Raymond Heitger invited about a dozen of their friends and neighbors over to watch the heartbeating sweepstakes. Betty, a registered nurse, and Raymond, a high school math teacher, were Bush backers. Many of their guests were the kind of blue-collar voters and nominal Democrats who may swing the election. Typical was Greg Kretz, a 30-year-old carpenter, who said before the debate, "I like the job Reagan has done, but I don't think that Bush has the same kind of leadership." Yet Kretz was not committed to Dukakis either. "I'm concerned about what he's done as Gov-

ernor," he explained. "He raised taxes."

Beginning with their criticism of Quayle's failure to answer the opening question, the 15 voters in the Heitger living room provided play-by-play commentary. As soon as Quayle mentioned the pollution in Boston Harbor, Donna McManus, the wife of a policeman, exclaimed, "That's the same as the campaign ad." After an artful Bentsen attack on Bush's ties to Panamanian General Manuel Noriega, Betty Heitger whispered to her husband, "You've got to admit, this guy is very skilled." Halfway through the debate, even the strong Bush partisans were dismayed as Quayle seemed to derail. Die-hard Republican Mike McManus said mournfully, "He's screwing up."

Bentsen dominated the post-debate sound bites with his attack on Quayle: "You're no Jack Kennedy." But these angry words triggered an audible intake of breath in front of the Heitger TV set. "That's really low," said Betty. Her neighbors agreed. Bush stalwarts like Mike McManus and Ray Heitger saw in Bentsen's remark evidence that the Texas Senator too was a flawed candidate. This allowed them to reconcile their discomfort over Quayle with their backing of Bush.

But for many at the debate party, Quayle again became an object of derision. As he was being asked what books or movies had influenced him, Betty Heitger, referring to Quayle's meager war record, cracked, "If he says *Platoon*, I'll



knock him down." Afterward, she volunteered that her newfound admiration for Bentsen and her deep concerns that Quayle "just wasn't adequate" had moved her from the Bush column to undecided. "I just don't know," she said. "I'm going to have to look at this more closely." But 90 minutes in front of a TV screen helped Greg Kretz make up his mind: "After seeing Quayle, I could not vote for Bush."

Debates can be a feast for information-hungry voters, but most nights Americans must subsist on the Lean Cuisine of 30-second spots. During the three-day period before the debate, at least ten different TV commercials for Bush and Dukakis were airing in Toledo. They were all highly negative in tone, except for two Bush ads filled with morning-in-America imagery. Through their use of MTV-style pacing, voice-overs and quick-flash graphics, many of the spots require multiple viewings before a viewer can sort out the hostile charges. Seen for the first time, these ads can inspire strong but disturbingly vague emotional impressions: Dukakis is a terrible Governor; Bush wants to tear up Social Security; Dukakis believes anyone can check out of prison; the Bush campaign is run by overweight manipulators who put Machiavelli to shame.

Many voters insist that they are not influenced by campaign ads. But it is easy to hear echoes of recent commercials on a walk down Homewood Avenue—a few blocks from the Heitgers—in this neighborhood of front porches, garage sales and

\$40,000 homes. "I'm not sure about Dukakis," said Steven Davis, a hospital security guard. "I like his ideas about better health care, but he also scares me a little about defense." Carl Bauer, a 72-year-old retiree, was scathingly critical of Bush's performance in the first debate, but will probably vote for him anyway, in part because "I don't like it that Dukakis is against the death penalty." In contrast, Phyllis Baldwin, a telephone operator, complained that "Mr. Bush said that Mr. Dukakis is

soft on crime, and I didn't find out until after the debate that crime in Massachusetts was down 13%." That figure was featured in a Dukakis ad in Toledo.

It might seem strange that commercials would play such an important role on Homewood Avenue when a flesh-and-blood candidate, Dukakis, was appearing last Tuesday at the Jeep plant, less than a mile away. But in a TV era, Dukakis was glimpsed by fewer than a thousand chosen Toledo residents during his four hours in the city. Local television was his true target. While the early-evening news stressed Dukakis' planned message ("I care about working men and women"), the media glow quickly dissipated. By 11 p.m., Dukakis was upstaged on two of the three local newscasts by a murder trial.

The election in the Heitgers' neighborhood may come down to a referendum on the economy.

Republican claims of continued prosperity were bolstered by Friday's announcement that unemployment dropped 0.2 points in September, to 5.4%. But the Democratic argument that most new jobs tend to be low-paying was also bolstered, by a 1.3% decline in inflation-adjusted hourly wage rates.

Statistics like these are probably less important than personal perceptions. After the debate, Larry Kirsch, 57, a factory worker who has survived layoffs, and his wife Mearl were at the center of an argument about the local economy. Finally, Mearl turned to her friends and complained laughingly about her husband: "He's the one who has been screaming for eight years about the bad things Reagan did to us, and now he's gone all wishy-washy and is saying things aren't so bad." If that is the final verdict of west Toledo, Bush may successfully hold on to his slim but continuing lead in the polls. ■

The Ads That Hit Home



An upbeat postcard to illustrate Bush's "kinder, gentler America," designed to offset the harsh tenor of G.O.P. attack ads. This spot is ubiquitous on shows for women.



This type of scare-the-elderly commercial is a Democratic chestnut dating back to 1964. As pieces are ripped off a Social Security card, a voice implies that Bush tried to cut benefits.



A janitor in a mythical Dukakis headquarters sweeps up as the voice-over warns of Dukakis' unmet promises on the economy. A typical graphic: "He raised taxes."



An inventive Dukakis spot featuring Bush handlers trying to hide his true record. The tag line: "They'd like to sell you a package. Wouldn't you rather choose a President?"

Ninety Long Minutes in Omaha

The overprogrammed Quayle was a poor match for Bentsen



Dan Quayle made a promise to the American people before the vice-presidential debate: "You're going to see the real Dan Quayle." Until Wednesday night, many Americans thought the real Dan Quayle was a sunny, overconfident, high-spirited young man who had spent more time on the golf links than in the library. But the Dan Quayle at the debate was a different person: a grim, wooden, frightened fellow who had stayed up late memorizing answers for the big test. So nervous were Bush's handlers that they denied Quayle any chance to be spontaneous, transforming him instead into an automaton searching for prepackaged answers that he could drone out safely.

The central issue of the Omaha debate was whether the 41-year-old Senator from Indiana had the intellect, temperament and judgment necessary to move into the presidency. Three times Quayle was thrown off balance when asked what

he would do if he had to take over from George Bush. Quayle could only sputter bland inanities before falling back on his script about his congressional accomplishments. On his third try, he compared the length of his experience with that of John Kennedy in 1960. It proved a fatal flirtation with one of America's most enduring myths. With precision and rhetorical balance, Bentsen uttered four terse sentences: "Senator, I served with Jack Kennedy. I knew Jack Kennedy. Jack Kennedy was a friend of mine. Senator, you're no Jack Kennedy."

"That remark was uncalled for, Senator," Quayle interjected. Replied Bentsen: "You're the one that was making the comparison. Senator... Frankly, I think you're so far apart in the objectives you choose for your country that I did not think the comparison was well taken." It was as though a respected uncle had reprimanded his young charge for cheekiness.

Afterward, few seemed to care or remember that Bentsen had been evasive in

answering questions about his policy differences with Dukakis. Or that many of his responses too were recited verbatim from his stump speech. But never mind. Lloyd Bentsen looked and acted presidential—indeed, to many he seemed more presidential than either George Bush or Michael Dukakis.

Bentsen also pressed the hot populist buttons that ignite Democratic voters. He played on nationalist sentiments by criticizing the trade practices of foreign countries and by ominously warning of their taking over American businesses. He raised the specter that Republicans are out to slash Social Security—never acknowledging that he, like Bush and Quayle, had voted for a freeze in cost of living increases. And dusting off a line he had used at the convention, Bentsen articulated the Democratic case against the apparent success of the U.S. economy: "You know, if you let me write \$200 billion worth of hot checks every year, I could give you the illusion of prosperity too."

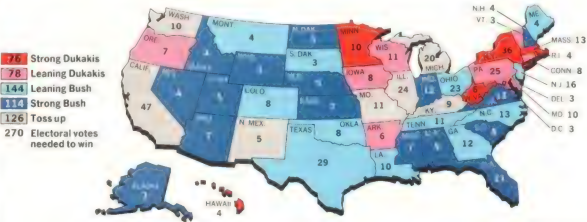
Though Bentsen claimed that his J.F.K. line was spontaneous, it had been germinating for days. The weekend before the debate, the Bentsen camp descended on Austin for practice sessions. In a vacant basement bar adjacent to the

The Votes That Really Count

During the end game of a close election, the millions of votes and millions of dollars boil down to a dinky little figure: 270, the electoral college majority that takes its owner to the White House. The battle for that number is an uneven one. For a generation, Republicans have held a significant edge in electoral math. Even when Michael Dukakis was clearly ahead in the opinion polls two months ago, his base of probable electoral votes was no better than even with George Bush's. Today the Bush bulge, though marginal nationwide, translates into an intimidating electoral count approaching 270. This allows Bush greater flexibility in pursuing important states in no-man's-land and in at-

tacking Dukakis territory. Dukakis, like a combat surgeon, must practice triage as he allocates precious assets to regions where his prospects can survive. His brave talk about waging a 50-state campaign rings hollow as his managers throttle back in about 15 states, most of them in the West and Deep South. Dukakis' electoral vote gap is becoming so serious that his newly energized campaign tactics may have little effect on the final numbers, barring a major Bush blunder. Now he must win nearly all the territory still up for grabs, plus some in which Bush leads; while protecting his present turf. Bush need add only one large state to the collection in which he is ahead.

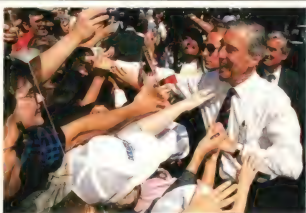
—By Laurence J. Barrett



TIME Map by Paul J. Hughes

Four Seasons Hotel, they set up a mock debate stage. Congressman Dennis Eckart, a golf tee stuck jauntily behind one ear, played Quayle. But Bentsen was nervous; he was not having fun. (They did not realize it at the time, but Bentsen aides mistakenly positioned him at the wrong lectern.) Then at one point Eckart, playing Quayle, compared himself to Kennedy. Bentsen became irritated. According to press spokesman Mike McCurry, he responded, "You're no more like Jack Kennedy than George Bush is like Ronald Reagan." No one commented on the line, and Bentsen's handlers did not even review it on the videotape. But when Quayle cited Kennedy in Omaha, Bentsen was primed.

Quayle's own preparation started more than three weeks ago, when Henry Kissinger met with the candidate and other advisers at Washington's Ritz-Carlton hotel to provide a three-hour tour d'horizon of world affairs. Over the next few weeks, Quayle aides concocted more than 200 possible questions. In the week before the debate, Quayle, intensively



The day after: Bentsen presses the flesh in Lone Star, Texas

Is he more presidential than either Bush or Dukakis?

coached by Bush media guru Roger Ailes, performed two mock debate rehearsals with Oregon Senator Bob Packwood playing Bentsen. At one point Packwood rudely interrupted so the handlers could see how Quayle would react. They even considered faking a power failure to test Quayle's composure, but rejected the idea.

By the time the Quayle entourage arrived in Omaha, the staff had reduced bulky briefing books to fewer than 30 in-

dex cards with probable questions and answers. Some of the preparation paid off: Quayle had already scripted and rehearsed an answer for what turned out to be the evening's single slightly unusual question, ABC correspondent Brit Hume's query about books that had influenced him.

The morning of the debate, an ABC camera crew caught Quayle with Ailes on the stage. Quayle could be seen at the lectern practicing one of his prepared sound bites in a husky whisper: "When are our opponents going to learn that you can't build yourselves up by tearing America down?" But Quayle

seemed hesitant, nervous, already beaten down. Moments later he asked Ailes, who was patrolling the stage like the lord of the manor, whether a certain gesture would be appropriate. "Hey, Roger ... does ... on, on this, you know, if I'm gonna, if I, if I decide on my gesture over there ... is that all right ... you don't mind?" Because they had been caught rehearsing it, Quayle's handlers decided to scrap the "tearing America down" line of attack. Instead, Quayle substituted his

Carolina. But they add up to just 51 electoral votes, and Dukakis at the moment can count on none of them.

New York

is Dukakis' Eastern anchor, as even Republicans privately concede.

But his advantage has shrunk, tempting Bush strategists to plan the kind of mischief they have perpetrated in Massachusetts. "We're going to put enough into New York to make Dukakis come back to hold us off," promises deputy campaign manager Rich Bond. Sure enough, Dukakis was scheduled to come to the Empire State on Columbus Day. Dukakis will also have to devote more time to Pennsylvania, which on paper seemed promising for the Democrats this year. Now it has become open country.

Florida

is firmly in Bush's hands. Dukakis, who had boasted in August that he

would win the state, is belatedly retreating. Last week his two chief organizers transferred to the Midwest, and more are to follow. He has also given up much of the Cotton South. From a meeting of some of his Dixie managers, word seeped out that Democratic hopes were reduced to what they grandly called the "Big Five" Southern and border states—Arkansas, Georgia, Kentucky, Tennessee, North

Texas

could turn out to be for Dukakis what Russia was for Napoleon. He invested his vice-presidential choice there and nine days of his own precious time, but Bush still leads. The only consolation is that the Bentsen gambit has forced Bush to work hard in his home state, like Dukakis, the Vice President was there again last week. The Democrat's hope is that the oil recession will raise indignation high enough to smother Bush's appeals to Texans' macho instincts. Both sides have so much at stake that neither can be seen as backing away.

Illinois

is the premier battleground in the Midwest, the region Dukakis must dominate if he is to offset Bush's strength in the South and West. Neither candidate has gained traction in Illinois, which is why Dukakis last week made his sixth visit since July. Bush has appeared there four times. Marshaling Chicago's large black vote has been difficult for Dukakis. In Ohio Bush leads and plans at least one excursion a week to hold that advantage. Democrats outnum-

ber Republicans in Ohio, as in neighboring Michigan. But Democratic union members have been slow to mobilize. Owen Beiber, president of the United Auto Workers, chided followers in Detroit by saying, "Maybe we've forgotten how to win."

Colorado's

oil-based economic woes and coolness toward patricians seemed to offer a good opportunity for Dukakis to break Bush's Western monopoly. But by last week, as Bush visited Denver, the state was tilting Republican. The main reason: Bush's success in tarring his rival as a squishy liberal. Elsewhere in the West, Dukakis is still competitive in Washington, Oregon and New Mexico, but is comfortably ahead nowhere except Hawaii, with its four little votes.

California

is the most closely contested large state, and Dukakis cannot win without it. Though the state has gone Republican in eight of the past nine elections, it has an affection for change that the Democrat is fighting to exploit. Neither candidate has a natural claim on Californians' sentiments. That, and the fact that two of the state's baseball teams made the play-offs, is slowing voters' decision making.

own line about America being "the envy of the world," a bromide he has been repeating on the stump.

The importance of a debate depends not so much on what happened as on how people remember what happened. The first polls showed that by a 2-to-1 ratio the public felt Bentsen had won. Soon, print pundits were pummeling Quayle from both left and right. At first the Bush campaign expressed guarded satisfaction. Quayle was bloodied but unbeaten. Bush's reaction was predictably hyperbolic: Quayle "knocked it right out of the park." But campaign chief Jim Baker, never a Quayle fan, seemed to be damning Dan with faint praise: "When you think about what might have happened, we have to be pretty happy."

At an 8 o'clock staff meeting the morning after the debate, Quayle sat in his hotel suite as his advisers gently informed him that the public thought he had lost. He played it cool: "So, what else is going on?" he replied. They then sent him out on the stump to provide the answer he should have given in the first place. "There is no question," he said in Joplin, Mo., "that I would maintain and build on the excellent policies of George Bush." On the plane he told reporters, "I hadn't had that question before. Obviously

Stonewall Scorecard

Would Lloyd Bentsen have given up his \$10,000 breakfast club for lobbyists had the Washington Post not written about it? What would Dan Quayle tell President George Bush to do about Japan's ability to influence the dollar, the stock market and U.S. interest rates? Americans will probably never know. As TIME scored it, Bentsen and Quayle gave direct answers to only eleven of the 24 questions asked. On five others, including the two above, they shamelessly stonewalled. But for the most part the candidates acknowledged the questions (with varying degrees of smoothness), then proceeded to deliver prepared minispeeches on the topics of their choice. The most egregious examples: Quayle talking about tax reform when asked to justify votes against school-breakfast and child-immunization programs, and Bentsen discussing his bilingual background and U.S. policy toward Mexico when pressed about his differences with Dukakis on aid to the Nicaraguan contras.

ly you think of it in sort of a macrosense to be able to get that question right there."

For the next two days, like people after a storm, Republicans waited anxiously to see if the roof would cave in. The Bush campaign started to edge away from Quayle. During his first speech after the debate, Bush failed even to mention his running mate. But Ronald Reagan proclaimed during a White House photo opportunity that Bentsen's J.F.K. line was a "cheap shot." Responded Dukakis campaign manager Susan Estrich: "When the Republicans call something a cheap shot, you know you've scored a direct hit." Republicans tried to

make a virtue out of necessity by having Quayle dub himself a "lightning rod" for Democratic attacks.

Word went out to Democratic surrogates all over the country to portray what was a solid Bentsen win into a Waterloo for the Republicans. Within 24 hours the Democrats were airing a commercial they had started preparing two weeks ago precisely for this turn of events. Part of Dukakis' "packagers" series in which five crafty image-makers plot how best to deceive the American public about Bush, the commercial depicts the cynical image-manipulators in a smoke-filled room. Packager No. 1: "We've got a disaster

on our hands." No. 2: "After all that rehearsal, I thought we had Quayle totally programmed." No. 3: "Not totally." No. 4: "Suddenly the words President Quayle even make me nervous."

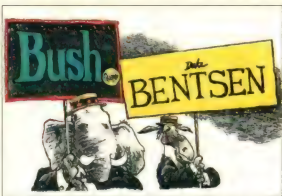
The Democratic strategy now is to link Bush and Quayle inextricably. In the final presidential debate, Dukakis will surely do his best to remind voters that a vote for Bush is a vote for Quayle. They may not turn the polls around, but after last week's showdown in Omaha, it is intended to give voters pause before they commit themselves. —By Richard Stengel, Reported by Michael Riley with Bentsen and Alessandra Stanley with Quayle

And Now, the Omaha Oscars

The Marie Antoinette Award for Noblesse Oblige. Dan Quayle's remark that "those people" at a food bank in Indiana were "glad" that "I took time out of my schedule to go down and talk" with them.

Watch My Lips, Not My Voting Record. Lloyd Bentsen accused Quayle of having "one of the worst voting records on veterans' issues." The Veterans of Foreign Wars gives the two Senators precisely the same rating (74% favorable).

Most Alarming Statistic. Tom Brokaw's assertion that 65 million American children live in poverty. There are 65 million children in all the U.S.; 13 million are considered poor.



The Youth Must Be Served Award. To Quayle, for interjecting, "I can hear you O.K.," after Bentsen had complained to Jon Margolis that he could not hear a question.

Most Obvious Name-Dropping. Quayle's assertion that

Chancellor Helmut Kohl of West Germany and Britain's Margaret Thatcher "know" him. He has met each only once, and for no longer than a few minutes.

Legislative Legerdemain Award. To Bentsen, for

accusing Quayle of voting to cut Social Security benefits eight times. Quayle voted only to delay cost of living adjustments, just as Bentsen did.

The Fort Lauderdale Award for Extracurricular Studying. To Quayle, for claiming that he had read three books during his last "spring vacation."

Most Macho Gesture. To Bentsen, for picking up his wife B.A. at his final debate rehearsal and terrifying his aides that he would throw out his back.

The Alexander Haig "I'm in Control" Award. To moderator Judy Woodruff for taking longer to quiet the audience than it spent making noise.

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The Presidency

High Sidey

Dumb Question, Worse Answer

The only thing dumber than the questions about taking over the presidency in an emergency ("What would be the first steps you would take?") was Dan Quayle's failure to point out just how dumb it was.

There is no meaningful answer. The combinations of events in possible tragedies are infinite and unpredictable: the rituals of Cabinet and NSC meetings, addresses to the Congress and the American people that must follow a transfer of power are an automatic part of the system. A President could not avoid doing these things, even if he wanted to.

Quayle's first instinct to avoid answering a "hypothetical" question was right. He simply lacked the presence of mind and the knowledge to squelch that hoary journalistic dog. What did the reporters have in mind—a President dying of a lingering illness, downed by a terrorist missile in Air Force One over the Mediterranean, resigning because of scandal? A Vice President's response would be different in each situation.

Lyndon Johnson in Dallas acted first to thwart a possible plot against the traveling party, comforted Jacqueline Kennedy, took the oath and roared back to Washington. There was nothing brilliant about these acts of common sense clearly defined by the demands of the moment.

Harry Truman was presiding over the Senate when Franklin Roosevelt died in Warm Springs, Ga. After Eleanor



Ford boosts Quayle: A job-training partnership, perhaps?

Roosevelt gave him the news, his first question was "Is there anything I can do for you?" He called a Cabinet meeting, asked each member to remain in the job, promised that there would be continuity with F.D.R.'s policies, but stressed that he would be making his own decisions.

Jerry Ford was almost an afterthought in the Watergate trauma that expelled Richard Nixon. During the hours preceding his presidency, Ford was counseled in the shadows by White House staff, Cabinet officers and Nixon himself. Ford simply moved across West Executive Avenue to the Oval Office and worried about the tone of his first message to the country.

When Ronald Reagan went into surgery for cancer of the colon, he assigned his powers temporarily to George Bush, who stayed home and did absolutely nothing notable for eight hours.

Dan Quayle, with minimal wit and study, could have said he would move into the Oval Office comfortable in the knowledge that he believed in Bush's policies, something Bentsen could not do in that debate. But Quayle said nothing of the kind. He instead repeated a preprogrammed answer about his experience and his familiarity with those who would surround Bush. In doing so, Quayle proved again that he was a Bush mistake, though not the disaster critics suggested, and possibly trainable for better things. ■

Grapevine

NO HELP FROM NANCY. George Bush has never been on Nancy Reagan's short list for intimate dinners. Last spring she forced a cancellation of the President's appearance at a Bush rally held within walking distance of the White House, confiding that she did not have much affection or trust for Bush. At a star-studded event at the Century Plaza Hotel in Los Angeles in late summer, Mrs. Reagan refused to come down from her suite even for a brief appearance, though Barbara Bush was there. Barbara has remarked to friends that Nancy is strikingly ungrateful for all the loyalty and deference the Bushes have shown the Reagans for eight years.

WILL BELGIAN ENDIVE REPLACE BRUSSELS SPROUTS? One of the

more emotional passages in Wednesday's debate came when Dan Quayle attacked Michael Dukakis for recommending that farmers switch from corn and soybeans to Belgian endive. "That's what he and his Harvard buddies think of the American farmer," sneered the Indiana Senator. "grow Belgium endive." Quayle thus displayed a deep contempt for the idea that red-blooded American farmers should be subverted from growing robust, manly grains to nurturing such an effete and foreign-sounding plant. Ironically, Reagan's Department of Agriculture, unburdened by such jingoism, has just granted \$45,000 to Virginia State University to promote cultivation of the profitable vegetable.

ONE SMALL FLAG FOR MAN, ONE GIANT PHOTO OP FOR BUSH. The Vice President did everything short of dressing up in a self-contained breathing suit to get in on the hoopla surrounding the return of the space shuttle. With reporters artfully positioned just a few yards away, Bush dashed from his limo to stand on an X scratched in the parched lake bed as the five shuttlenauts emerged. Commander Rick Hauck stepped out and awkwardly unfurled a flag. How did he get it? NASA officials smuggled it aboard *Discovery* to improve the photo opportunity. Asked earlier whether he would invite Dukakis to the touchdown, Bush said, "That would be making a political event out of it."

Racism in the Raw In Suburban Chicago

Two harrowing tales show how brutal bias can still be

BY TED GUP

Last year residents of Cicero, a Chicago-area community notorious for its racism, called the police to report that a black man was impersonating a police officer, wearing a police uniform and driving a squad car. That was patrolman Wesley Scott, the town's first and only black policeman. Almost daily, he endures racial insults and humiliation, not only from the people he has sworn to protect but also from some of his fellow officers upon whom his life may depend.

Four miles away in Melrose Park, a working-class suburb of modest but tidy homes, live Donald and Stephanie Sled. This summer they packed up their few belongings and moved out of Chicago's west-side ghetto, delighted to have found an affordable apartment in Melrose Park. In their excitement to escape the squalor and fear of the ghetto, the Sleds gave little thought to what it might mean to be the first black family in their neighborhood. "This was like heaven," recalls Donald, a 44-year-old handyman who sometimes stutters when excited. "It was so quiet and peaceful." But the Sleds have found anything but peace in Melrose Park. Instead, their new home has been under siege. Vandals have taunted them with racial slurs. They have shattered their windows, punctured their tires, torched their car and driven a blazing cross into their lawn.

The Scotts and Sleds are stark reminders that despite the enormous civil rights gains of the past three decades, even the rawest forms of racism persist. Reports to the Community Relations Service of the Justice Department indicate that racial incidents nationwide increased by 55% from 1986 to 1987, and more than 400% since 1980. In the first six months of 1988, racial incidents against blacks were recorded in at least 20 states, according to the Southern Poverty Law Center. There were 4,500 housing-discrimination complaints last year in the U.S., up from 3,000 in 1980. Racism is most likely to erupt when white homeowners feel threatened. Neighborhood segregation in northern cities is the most stubborn remnant of racial division in America. Often the bias is subtle. But on the front line are families such as the Sleds and the Scotts, whose experiences are sharp examples of how overt and brutal racism in the U.S. can still be.

In March 1987, two days after Wesley Scott graduated from the police academy and joined the force in suburban Cicero, he discovered a photo of the Ku Klux

Klan pasted to his locker. "Who's going to kill Wesley?" one of the robed Klansmen in the picture asked. Another replied, "I'm going to kill Wesley." Across the bottom was written "The Ku Klux Klan is going to kill you." Recalls Scott: "A few of the guys were shaking their heads, but a lot of the guys were laughing." Scott did not report the incident to his superiors,



Patrolman Wesley Scott, Cicero's only black policeman, has been told he must live in Cicero. Afraid for his wife and three children, he is challenging the residency requirement. "The people he's afraid of are the people he's here to protect," notes Cicero's attorney, Dennis Both.

one of whom was among those laughing. Stephen Zalas, deputy superintendent of the Cicero police, said he was unaware of the incident. "Rookies do put up with some harassment," he said. "Some of it might be in bad taste."

At 27, Scott stands just under 6 ft., his granite biceps tattooed when he was eleven. He is the oldest of 16 children. A gentle man and a voracious reader, he rarely lets his guard down with his colleagues. He has taken a private oath that he will not allow himself to be goaded into any actions that might jeopardize his position. As a patrolman, he makes \$22,500 annually. But his objective goes well beyond police work. "My purpose is to bridge the gap between those who espouse racism and those who are at least liberal enough to understand this is the 20th century."

It has not been easy. "There is not a day that I haven't gone through some kind of hell," says Scott. "Practically every day, someone calls me a nigger." He sits in his modest apartment in a suburb called Jus-

tice, about four miles southwest of Cicero, ironing his five-year-old son's jeans for school. On the wall hangs a prayer: "Lord, help me to realize that nothing can happen today that you and I can't handle." Scott's wife D'Andrea tries to comfort him after each racial incident by saying, "Don't worry about it, that person was sick."

An A student before dropping out of high school after his junior year, Scott spent long hours preparing for the state-wide police exam. He was sick with chicken pox when he took the test. A few weeks after the exam, he received a letter on official letterhead from deputy superintendent Zalas telling him that he had failed. "I was heartbroken," said Scott. The next day he went to Zalas and asked if he could

take the exam again. When Zalas asked why, Scott handed him the letter. Zalas said he never wrote the letter. "Someone was just clowning around with him," says Zalas. A few weeks later, Scott was officially notified that he'd passed the exam.

Scott has problems both in the station and on the streets. One of his superior officers has called him a "stupid nigger" in front of fellow officers. On one occasion the officer asked someone he was arresting, "Do you want this nigger to see you crying?" Sometimes citizens who call for help will rebuff Scott and ask for a white officer—a request the department denies.

Scott grew up in an integrated neighborhood in southwest Chicago. "I always believed I could go anywhere and mingle with anyone," said Scott. "It just didn't occur to me that Cicero could be so prejudiced." Still, it was impossible not to have heard of Cicero's reputation. Scott recalls how his family was appalled when Martin Luther King Jr. was forced to postpone a march through Cicero in 1966 because of the threat of violence. Scott was five years

Nation

old at the time. Since then, there have been numerous assaults against blacks who attempted to live in Cicero. "Cicero unfortunately has become synonymous with racism," says U.S. Attorney Anton Valukas. "It is a symbol of standing tall, guarding the borders."

The city of Cicero (pop. 61,000) has given Scott—and all its municipal employees—until Sept. 30 to move within the city limits. Scott is afraid for his three young children and his wife. Reluctantly, he has joined other officers in challenging the city's residency requirement. "The people he's afraid of are the people he's here to

But two days later, a car nearly knocked the Sleds' 14-year-old nephew off his bike. "Nigger, what are you doing around here?" the driver shouted. A week later, two wooden fence posts crashed through Wilbur's dining room window, the penalty for welcoming the Sleds to the neighborhood. "It doesn't seem like America with people acting like this," she says.

The Sleds thought their troubles would be financial, not racial. Together they make \$16,000 a year—less than Melrose Park's \$22,000 median family income. Donald operates an elevator in a downtown bank. Stephanie, 35, works the mid-

have more schooling than I could ever get, and yet they do this," says Donald, his eyes shaded by a Chicago Bears cap. "I can't understand."

The Sleds wonder if Melrose Park's all-white 65-member police force will protect them. The commander of operations is Lieut. John Carpino. "I don't think there is a racial problem here," he says of the Sleds' problems. "I just don't see it. We're treating it as vandalism. These are pranksters." For a couple of days the city deployed an unmarked car to watch the Sleds. Says Carpino: "Come on, this is 1988. Who's going to lynch who? This is the Midwest. This is nothing to excite anybody about."

U.S. Attorney Valukas takes the matter more seriously. He has sent FBI agents into the Melrose Park neighborhood to protect the Sleds. Two weeks after the Sleds moved in, Melrose Park's building commissioner, C. ("Sonny") Stamatatos, cited the house for ten housing-code violations. Stamatatos says the timing was unrelated to the arrival of the Sleds. Valukas says he finds the timing "very curious."

In 1985 the Justice Department sued Melrose Park (pop. 23,000) as well as twelve other suburbs for discriminatory employment practices. Of 217 city employees, none were black. Melrose Park contested the suit and lost in court.

White families living near the Sleds insist they are not racists. But, they say, they are afraid that the Sleds may be followed by other black families, that white residents will move, then property values will plummet, and the neighborhood will deteriorate. "I'm afraid of what could happen," said one 75-year-old woman. Until 1972 she and her husband lived in Austin, a Chicago suburb that went from predominantly white to predominantly black. "We had to sell our home for nothing," she said. "What happens if this whole doggone neighborhood gets up and leaves? We're too old to move again." She does not know if she can trust her neighbors not to panic and move out. "It's all white people's fault," she said. "Blacks have a right to live where they want."

In recent weeks the incidents against the Sleds have tapered off. A neighbor across the alley has offered to keep an eye on the Sleds' car. Larry Pusateri, the son of the owner of the house, has told the Sleds, "Don't worry, I'm not going to let these bastards move you out." The Leadership Council for Metropolitan Open Communities, an organization that helps minorities find housing and attempts to ease racial tensions, has also come to their aid. Neighbors are talking among themselves about what the violence means for a community that prides itself on its neighborly ways. As for the Sleds, they say their minds are made up. They are staying. ■

Since the Sled family moved into this neighborhood of Melrose Park:

- Their nephew was called a "nigger" and almost knocked off his bike
- Arsonists set fire to their Chevy Impala
- Mrs. Sled was threatened with lynching
- A cross was burned on their lawn
- When the Justice Department sued Melrose Park, none of its municipal employees were black



protect," says Cicero's attorney, Dennis Both. "If he has a fear, it's not founded."

Despite the city's hate-filled past, there are signs of real change in Cicero. Even Valukas, who sued Cicero for discriminatory hiring practices in 1983, says he detects a new willingness to confront the issue of racism. Scott too is hopeful. "I am slowly making some headway with the people in the community," he says. People on the street are beginning to call him "Officer Scott." A number of fellow officers have invited him and his wife home to dinner. Even the officer who once called him a "nigger" is now supportive. Scott's superior, Zelas, says both Cicero and Scott are maturing. "He's going to grow into a fine officer," he says. Scott still does not want to live in Cicero—at least not so long as he considers his family in peril. But he is determined to work there and, in the process, win over those who hate or fear him because of his race.

The Sleds are equally determined. When they moved into their \$250-a-month apartment in Melrose Park, they were welcomed by Donna Wilbur, a widow who lives downstairs with her teenage son.

night shift as a cashier in a filling station.

Three weeks after they arrived, arsonists set a fire beside their car. The next night Donald kept a vigil at the back-porch window. Then he dozed off. He was awakened at 1 a.m. to find their 1976 Chevy Impala in flames. Across the street four young men laughed and shouted, "Let the car burn. Niggers don't need to be in Melrose Park." One night as Stephanie set out for her cashier's job, several youths waved a rope and taunted her with threats of a lynching. Later a crude wooden cross was burned on the lawn.

The Sleds tried to laugh it off. "You know how we feel?" asks Stephanie. "Like a couple of black-eyed Susans in a field of corn." Donald sits uneasily in the kitchen, rising every few minutes to survey the street. "You have to be alert," he says. Early on he repainted the living room, but he has decided not to finish the other rooms. Too many uncertainties. Boxes are stacked against the back windows so that they might stop a fire bomb. Beside the telephone is the number of the FBI. The Sleds have warned their relatives that it is not safe to visit them. "Half of these people

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Trade: Getting Back into the Game

By Charles P. Alexander



When the spotlight shone on Seoul, Americans focused their attention on the efforts by U.S. Olympians to outpace rival athletes from other nations. But there is another form of international competition that the U.S. is unquestionably losing, and it is no game. America, once the perennial champion of world trade, now seems in danger of dropping out of contention. In one industry after another, American companies have lost their lead to foreign competitors that are more innovative, efficient and responsive to the needs of consumers.

The stark facts are revealed each month in the trade-deficit figures. Despite recent improvement, the U.S. still imported \$80 billion more in goods than it exported in the first seven months of the year. At the current rate, the 1988 trade deficit will total some \$130 billion, 23.5% less than last year's record \$170 billion. That progress has resulted primarily from the 40% drop of the dollar against major currencies since early 1985, which has made imports more expensive and U.S. exports a bargain overseas.

Considering the size of the dollar's decline, the improvement in trade figures has been surprisingly small. The sad truth is that American industry simply is not in good enough shape to take advantage of the weak dollar. Many companies have trouble matching the quality of products from abroad. Other firms are running into production bottlenecks because they have skimped on investment. Some industries have been virtually wiped out by foreign competition: the share of the U.S. consumer electronics market held by American companies has plunged from almost 100% in 1970 to less than 5% today. When the Japanese started coming up with innovative products like VCRs and hand-held video cameras, U.S. firms decided to sell Tokyo's models rather than try to make their own. In short, U.S. industry no longer has the capacity to produce the quantity, quality or variety of goods that the public demands.

The easy explanation, and the one that Michael Dukakis has been hinting at with his economic nationalist talk, is that U.S. companies are the victims of unfair foreign trade practices. Japan, in particular, is accused of erecting barriers against American imports and of "dumping" products in the U.S. at prices that are below the cost of manufacture. The only response, the argument goes,

is to protect American industry with quotas and higher tariffs.

While supporters of this position often resort to hyperbole and jingoistic rhetoric, their case has an element of truth. The U.S. cannot always stick to the rules of free trade when other nations do not. At times, it may be advisable to impose temporary protectionist measures as a bargaining chip.

But that weapon should be used sparingly. Protectionism encourages U.S. companies to remain inefficient and drives up prices to consumers. The flap about fair trade obscures an inescapable fact: the fault for our industrial woes lies not with our trading partners but in ourselves. If every trade barrier on earth magically disappeared, the U.S. deficit would probably decline no more than 20%. The primary responsibility for the trade deficit rests both with a profligate Government whose tax and spending policies have encouraged overconsumption and with much of U.S. industry, which grew fat and complacent during its halcyon days in the 1950s and 1960s.

Japan sets aside 21% of its gross national product for investment, according to the Council on Competitiveness, a nonprofit group headed by Hewlett-Packard president John Young. For the U.S., the comparable figure is only 12%. While underinvestment is a chronic U.S. problem, it has been exacerbated by the enormous budget deficit. That fuels consumption and, by absorbing capital, makes it more expensive for industry to raise money for investment.

But much of the blame for underinvestment belongs to corporate America. Too many chief executives are less concerned with the exacting details of manufacturing quality products than they are with making deals and dressing up the balance sheet. The entrepreneurs and engineers who once headed many companies have



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largely given way to finance and marketing types, who go for short-term profits at the expense of long-term investment.

Thus the U.S. is in danger of losing its technological edge. Nearly half of U.S. patents are granted to foreigners. One reason, says the Council on Competitiveness, is a lack of productive research and development expenditures. While the U.S. spends more on R. and D. than any other nation, nearly a third of the money goes to military projects, which have little commercial value. When Pentagon-sponsored research is excluded, the U.S. spends 1.8% of its GNP on R. and D., compared with 2.8% for Japan.

But bolstering R. and D. will not by itself ensure an increased flow of innovative American products. The best research will have no commercial impact if companies fail to take good ideas from the drawing board to the assembly line. Americans invented the technology behind VCRs but then sat back and watched (so to speak) as the Japanese adapted the machines to home use.

Such failures will be repeated unless U.S. industry attracts more talented people interested in product design and manufacturing techniques. That is not easy, given the graduates that universities put out. While there is no dearth of would-be lawyers, graduate engineering programs go begging for students. As many as 1,500, or 7.5%, of the engineering faculty posts at U.S. colleges are vacant. Many business schools put little emphasis on manufacturing and industrial management.

No President can single-handedly make up for the failures of industry and education, but the next Administration can create a better climate for spurring innovation. Realizing the urgency of the challenge, both George Bush and Michael Dukakis have made "competitiveness" one of their buzz words. But behind all the rhetoric is little specific substance and virtually no political courage.

Ignoring the unpleasant fact that the trade deficit has ballooned during Ronald Reagan's watch, Bush proposes to continue the same basic policies: low taxes, high defense spending and less regulation of business. He pledges new Government support for education and research, but does not specify where he would get the revenue to pay for such programs. Bush hopes to balance the budget with a "flexible freeze" on spending.

Dukakis promises more Government money for education, worker training and the rebuilding of the nation's decaying highways, bridges and transit systems. He calls for a modest \$500 million Fund to Rebuild America to provide Government grants for regional economic development. Like Bush, Dukakis glosses over the issue of where the money would come from. He rails against big mergers as anticompetitive, chiding former Attorney General Edwin Meese for not knowing the "difference between antitrust and antifreeze." Yet many trade experts believe that a relaxation of antitrust rules is necessary to allow U.S. companies to combine forces against foreign competition. Dukakis favors tougher enforcement of safety and environmental regulations, along with compulsory health insurance for workers that would be funded by companies. These are all worthwhile goals, but they will impose new costs on business, which, unless they are offset by new federal tax breaks, will hurt competitiveness.

Of the two candidates, Dukakis veers closer to being protectionist. He would grant ailing industries temporary relief if they use the breathing space to make necessary adjustments, including investments in plant, equipment and worker retraining. Counters Bush, who bills himself as a defender of free trade: "To some, competitiveness means protectionism and pointing the finger at our trading partners without trying to improve quality and productivity at

home. To me, that is not competitiveness. Instead, that is weakness and defeatism." But Reagan has agreed to trade restrictions on everything from motorcycles to semiconductors, and a President Bush would probably be just as pragmatic.

Neither candidate's program will do much to curb the trade deficit. The problem cannot be resolved quickly, but several strategies could get the country moving in the right direction:

► **Adopt a plan to eliminate the federal budget deficit.** The candidates' failure to face up to the budget issue destroys the credibility of their suggestions for improving competitiveness. Without this essential first step, no other remedies will work.

► **Stimulate investment and civilian research and development.** The investment tax credit, which was eliminated in the 1986 tax-reform act, should be restored—as long as consumption taxes are levied to make up the revenue loss. Companies should receive credits for investments not only in plant and equipment but also in human capital, like spending on worker training. Perhaps a third of the Pentagon's research and development should be gradually shifted to projects with commercial value.

► **Bolster education, with special emphasis on science and engineering.** Everyone agrees that U.S. industry will have an increasingly tough time putting out quality products in a high-tech age if workers are poorly educated, or even illiterate. The Government should provide loans to help school systems revamp

their facilities, and federal educational programs like Head Start should be expanded to include all disadvantaged children. Washington should give special grants to universities to subsidize increased salaries for science and engineering professors and scholarships to attract students into those fields. Moreover, the Government needs to launch a ten-year program to refurbish the research labs at the nation's universities. That job would cost an estimated \$10 billion.

► **Curb corporate raiding.** Dukakis has latched on to an important issue, but he is wrong to talk as if all mergers and acquisitions are equally bad. Friendly combinations may improve U.S. competitive-

ness. The more disturbing deals are the hundreds of hostile takeovers carried out by raiders financed with junk bonds. No wonder corporate executives focus on short-term profits and their companies' stock prices if they constantly have to look over their shoulders for a raider. Even worse, hostile takeovers often saddle the target companies with huge debts that make them weaker than they were before the raid. The solution is not to ban all hostile takeovers, which would allow some ineffective chief executives to remain entrenched for life. But the Government could put restrictions on the amount of debt that could be accumulated to finance takeovers. In addition, the tax deductibility of interest payments on that debt could be limited.

Improved Government policies can only make a start on solving the trade dilemma. What is needed is a change in national direction. Long ago, Henry Ford lost his appeal as a role model, and interest in manufacturing faded. Services became the wave of the future, and law and investment banking became the prestige careers. America is paying the price for the increasingly unproductive orientation of its top talent.

Getting many of the smartest students interested in manufacturing will require a broad recognition that the U.S. does not live by services alone. The job of changing career goals will have to start with parents, high school guidance counselors and university administrators. Americans cannot go on increasing their standard of living without learning once again how to roll up their sleeves and make the products they want to consume. ■

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American Notes

Don't Eat The Daisies

Betcha didn't know that eating wallpaper could lead to constipation. Or that rubbing Metamucil in your eyes could irritate them. Neither do many employers, who are supposed to teach their workers such nuggets of wisdom: the government's Occupational Safety and Health Administration has not informed them of that obligation. Those who do know are in a fury.

This dustup, which is still tied up in court proceedings and renewed OSHA regulatory hearings, began reasonably enough. An OSHA ruling, effective in 1985, ordered manufacturers and importers of hazardous chemicals to inform workers of the dangers. In August 1987, under court order, the hazard communication standard (HCS) was expanded



Warning: these flowers may endanger your health

to cover 70 million employees of 4.5 million companies that merely use the chemicals. The paperwork to inform so many people of every conceivable peril is enough to swamp some small businesses; florists, for instance, may need ten to 20 pieces of paper per petal that

has been treated with chemicals by their suppliers. OSHA official Frank White stoutly defends the HCS. But last week he conceded at a congressional hearing, "Perhaps we underestimated, as we sometimes do, the magnitude and sweep of this rule."

In Sickness And in Stealth

The radar-invisible Stealth warplanes can hide in the sky, thanks in part to special materials and chemical coatings that do not reflect radar pulses. But these materials make workers ill—or so claim scores of employees at Lockheed's Burbank, Calif., plant, home of Stealth. In a lawsuit, the workers complain that a panoply of ailments—rashes, aches and pains, nausea, memory loss—is being caused by unknown toxic agents in Stealth materials. Lockheed vice president John Brizendine insists that "we have seen nothing to indicate the materials we work with ... pose a health hazard, providing proper procedures are followed." Nonetheless, two teams of federal investigators are poking around the Burbank plant.



A desktop reminder: every second, we are \$8,000 deeper in hock

The National Debt at \$39.95

Masochists may sometimes feel left out at Christmas, but not this year. For just \$39.95 they can receive a handy miniature (5-in. length, 2-in. diameter) calculator that displays the time, the date and, at the push of a button, an up-to-the-second tally of the national

debt (programmed to rise by \$8,000 a second from a base of \$2.35 trillion on Oct. 1, 1987). Says inventor Warren Dennis, a Pasadena, Calif., tinkerer and punster: "Maybe when people see the national debt like this, right in front of them, they'll take an interest in the issue." He promises to donate \$1 from each sale of the toy, named Debtman, to a fund to reduce the debt.

Sauce for The Gander

"Discrimination is just as wrong in Congress as it is anywhere else." That statement from California Democrat Leon Panetta may seem obvious, but it has taken the House almost a quarter-century to accept it. In legislating the 1964 Civil Rights Act and all other laws imposing obligations on employers, Congress made itself exempt. Why? Some members lamely asserted that, well, Congress is "different." Others offered a legalistic excuse: having an executive agency regulate its employment practices

would violate the separation of powers.

But the pressure became too great. Local TV was showing black congressional employees working in sweatshop conditions. *Roll Call*, a Capitol Hill weekly, was printing stories of sexual harassment of female workers. So last week the House finally applied the anti-discrimination laws to itself. It got around the separation-of-powers argument neatly by setting up an office staffed by its own members and employees to enforce the law—a solution that was just as readily available in 1964. The Senate is expected to follow suit next year.



Congressman Mervyn Dymally visits workers in the Capitol basement

O beautiful fo



Wide open spaces have quite a way of moving people. Reason enough to stretch out in the Honda Accord. After all, our 4-Door Sedan is surprisingly expansive. It has more front headroom and front legroom than a long list of luxury cars.

Of course, the LX model shown above

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With a Honda-like eye for ergonomics, the seats are sculpted and supportive. Assist handles are appropriately located.

r spaciousness.



The steering column is adjustable to maximize your personal space. And an electronically tuned stereo system takes full advantage of the fine acoustical space that is the Accord LX.

No doubt, you'll find yourself singing a praise or two.



Accord LX **HONDA**

● CHILE

Fall of the Patriarch

Pinochet loses at the polls, but democracy is not the victor yet

"He fell! He fell!"

For 15 years General Augusto Pinochet Ugarte, 72, has held Chile in his proud and dictatorial grasp—once even boasting that "there is not a single leaf in this country that I do not move." So why shouldn't he have believed that Chileans would vote *si* last week in an extraordinary plebiscite on whether to extend his presidential term to 1997? But shortly before 2 a.m. on Thursday, an ashen-faced official stepped from La Moneda, the presidential palace in Santiago, and headed for a nearby government building. There he told TV viewers that the public had said *no* to the ex-

tension. The final tally, with 7.2 million votes cast: 54.7% to 43%. Despite the hour, several hundred jubilant demonstrators sounded car horns in the capital and howled delightedly. "He fell! He fell!"

The vote was a turning point on Chile's long road back to a nearly 150-year tradition of democracy, which was toppled in the 1973 coup that brought Pinochet to power. Since ousting the elected, but floundering, government of Marxist President Salvador Allende Gossens, Pinochet has led a military junta that routinely uses terror to enforce its will. Deep scars remain from a 1973-76 antifileist purge in which tens of thousands of Chileans were exiled, tortured or executed.

Meanwhile, the politically explosive gulf between rich and poor has steadily grown wider. "We broke an authoritarian system," said Ricardo Lagos, president of the Party for Democracy, one of the 16 groups that made up the Command for the No, which led the campaign to defeat Pinochet. "Now our work is to reconstruct a democratic system."

The vote will not transform Chile overnight. If presidential elections are held as scheduled in December 1989, Pinochet, who has already headed the country longer than any other leader, would retain power at least until March 1990. He can also remain commander of the army until 1995. Whenever the voting does take place (opposition leaders have pressed for an earlier date), Chile's traditionally fractious parties will have to agree on a field that allows the winner to emerge with enough support to govern.

For his part, Pinochet vowed not to go quietly. Wearing a crisp dress-white uniform, the general accepted "the verdict of the majority" but pledged "to complete my mandate with a patriotic sense." He buttressed the point by refusing to accept the resignation of his 16-member Cabinet, which then agreed to stay.

Pinochet's defiance produced a bizarre pattern of dancing and rioting in the streets. Police fired tear gas and water cannons at some antigovernment protesters in two days of clashes that left dozens wounded and two people dead. More than 20 foreign journalists were among the injured. On Friday hundreds of thousands of Chileans celebrated the *no* vote with a joyous rally in Santiago. Singing and swaying to music by popular groups, they called on Pinochet to step down.

The dictator hardly expected to lose the plebiscite when, in 1980, he pushed through a constitution that mandated the vote. Eager to gain democratic legitimacy, Pinochet expected a booming economy to buoy his popularity throughout the decade. But a 1982 crash ended that hope, and the subsequent recovery benefited wealthy landowners, bankers and multinational companies, while Chile's slums sank deeper into squalor. By the start of



Saying goodbye to the general: celebrators proclaim their joy in the capital

1988, the failure of the country's growing riches to spread to the middle and lower classes had festered into a key campaign issue. The divide had a further impact: it strengthened such radical factions as the Manuel Rodríguez Patriotic Front, a Communist splinter group that killed five of Pinochet's bodyguards in a 1986 assassination attempt. The army replied with a wave of reprisals that further alienated many Chileans.

With the plebiscite approaching, Pinochet lifted a 15-year state of emergency in August and allowed 500 exiles to return to the country. They found a more subtle form of repression. Instead of censoring the press, for example, the regime responded to articles it did not like by jailing reporters and publishers. While labor unions are now permitted, leaders who call for industry-wide strikes risk banishment. Last February a U.S. human-rights report noted at least 100 cases of torture in 1987 by Chilean security forces.

Pinochet also miscalculated the resolve of Chile's opposition parties. Though it had barely seemed possible, long-squabbling groups ranging from the right-wing National Party to the leftist Almeida Socialists flocked together under the anti-Pinochet banner. They took the lead in registering an astounding 92% of Chile's eligible voters, though critics cautioned that some government sympathizers might have signed under different names to swell the tally. Meantime, the *no* forces used newly granted access to TV studios to launch tenuous and compelling spots. The regime, by contrast, relied on stolid footage of factories and roads or warnings of a return to the chaos and violence of the Allende years.

Though he lagged in most of the polls, Pinochet still expected victory. But his eleventh-hour emergence as a baby kisser in civilian dress could not improve his chances. Nor could numerology sway the final outcome: deeply superstitious, Pinochet held the plebiscite on Oct. 5 apparently because five is his lucky number.

Within the government the vote immediately shifted the balance of power away from Pinochet. "I think the armed forces will treat Pinochet delicately for the moment," said a Western diplomat in Santiago. "They might gently insist on a more collegial relationship within the junta." But the military too was wounded by the vote. Known as "the last Prussian army" for its aloofness from the rest of society, the army considers the fall of its leader to be a personal defeat. That could make the armed forces sullen and inoperative in coming months.



Down but not out: the strongman reviews his troops

WHAT HAPPENS NEXT

PRESIDENCY:

The constitution keeps Pinochet in power until elections in December 1989. The opposition wants to speed up the vote.

LEGISLATURE:

Elected at the same time, Pinochet will keep a seat; the government can name ten out of 36 Senators. The opposition wants all seats elected.

MILITARY:

Pinochet still in command. The opposition wants him out, civilian control thereafter.

The opposition is clearly taking no chances on offending the army and triggering a possible coup. During the campaign, political leaders agreed to withdraw TV spots that showed carabiniere security forces beating citizens. In return, police provided protection for opposition rallies and marches. Yet such fragile alliances could easily be shattered by embarrassing demands. For example, most opposition groups want to prosecute the

military for human-rights violations. But moderate parties are willing to overlook old abuses in exchange for assurances that new ones will not occur.

Pinochet nevertheless emerged from last week's ballot in a relatively strong position. By winning 43% of the vote, he showed broader popular appeal than opposition polls had indicated—a considerable achievement for a dictator after 15 years in power. Said Labor Minister Alfonso Márquez de la

Plata: "The plebiscite was a personal triumph for the President and an electoral defeat for his collaborators. It's a clear demonstration that he enjoys a great deal of civilian support."

Perhaps. For now, the key issue remains the timing of presidential elections. A quick ballot could even help the government by allowing it to support a single candidate before the opposition can produce a strong field. A long delay, on the other hand, could unravel the opposition's recent unity. But such concerns seemed remote to exultant Chileans last week. In the fall of a ruthless patriarch, the country caught a happy glimpse of both its democratic past and its possible future.

—By John Greenwald.
Reported by Laura López/Santiago

How Much Did the U.S. Help?

The CIA helped put Augusto Pinochet Ugarte into power by playing a pivotal role in the 1973 military coup that toppled the country's democratically elected Marxist government. So it seems only fitting that the U.S. used its leverage to help topple Pinochet at the ballot box. The Reagan Administration initially downplayed Pinochet's human-rights violations in hopes of persuading the junta to ease repression. The arrival of U.S. Ambassador Harry Barnes in 1985 signaled a change in tactics: Barnes repeatedly called for a return to democracy and instructed the embassy to monitor all human-rights violations.

Meanwhile, Washington sponsored a U.N. Human Rights Commission denunciation of Chile in 1986. The Administration also funneled more than \$1 million to opposition groups to register plebiscite voters. Four days before the vote, Washington learned that the junta might delay the ballot. U.S. officials warned Chilean authorities against the plan, going so far as to summon Chile's Ambassador to the U.S. to an unusual Sunday-morning meeting. Said a U.S. diplomat: "Our message was that if they went ahead with the operation to postpone the election, we would publicly reveal in detail what we knew."

SOVIET UNION

Perestroika Hits the KGB

Gorbachev attempts to bend the third pillar

BY JOHN KOHAN MOSCOW

Compared with other government anterooms in Moscow, the lobby of the three-story, neoclassical building just across from the *Zoomagazin* pet shop at 22 Kuznetsky Most Street exudes a civilized calm. Near the entrance a red-and-gold sign proclaims that the public is welcome 24 hours a day. Two guards politely answer questions, and visitors can leaf through the neatly arranged newspapers while relaxing on comfortable brown leather sofas. This paragon of bureaucratic efficiency is the reception center of the

society that knows nothing about it?"

General Secretary Mikhail Gorbachev has moved against the military and sharpened the knife to trim the party bureaucracy in his ambitious reform programs. The key question was whether he dared to take on the third pillar of Soviet power: the security establishment. An answer of sorts came at the party plenum two weeks ago. In a blitzkrieg shake-up of the leadership, Gorbachev named KGB chief Viktor Chebrikov, 65, head of a new commission on legal reform. Deputy KGB chairman Vladimir Kryuchkov, 64, leap-frogged over two more senior offi-

handpicked Kryuchkov as his new KGB chief, but the two shared a common patron in Yuri Andropov. Kryuchkov, whose affectionate nickname is said to be "Kryuk" (meaning hook), accompanied Gorbachev to last December's Washington summit, marking him as a man to watch. A specialist in international operations, Kryuchkov is not closely associated with repressing dissidents during Gorbachev's democratization effort. His appointment may be a signal that the Kremlin now attaches greater priority to KGB activities abroad. In the view of a U.S. State Department Soviet expert, "Gorbachev wants to narrow KGB responsibilities and get them out of police work."

There have been signs in the *glasnost*-era press that the security empire is no longer exempt from criticism. Last year Soviet readers were shocked by reports that Ukrainian KGB officers had been dismissed for falsely arresting a muckraking Soviet journalist. That news seems almost tame compared with a recent scandal in Odessa. A senior KGB officer and a public prosecutor reportedly trumped up corruption charges that led to the false arrest of as many as 60 local officials. When the story broke in the press, the accused officials sued for libel—and lost.

In line with the mounting pressure for greater openness, the KGB has launched a public relations campaign. During an interview with *Pravda* last month, Chebrikov asserted that his personnel were now emphasizing "new attitudes." He acknowledged there had been "grave violations" of legality during Stalin's days and stressed his support for "broader democracy and greater openness."

Perhaps the most striking example of the agency's "new thinking" was an article last month in the ideological journal *Kommunist* by Vladimir Rubanov, a department head in the KGB research institute. Rubanov argued for an end to "the cult of secrecy," which was preventing the Soviet Union from becoming an "information" society. He pointed out that although foreign specialists were allowed to visit military sites, Soviet journalists often could not even visit factories and economic institutions.

Only three days after the change of KGB chiefs, the leadership was reshuffled in the most populous of the country's 15 republics. Vitali Vorotnikov, 62, premier of the Russian Republic (population: 144 million), was kicked upstairs into the presidency, making way for Alexander Vlasov, 56, a Gorbachev protégé, to succeed him. As Interior Minister of the U.S.S.R., Vlasov had overseen a massive clean-up of the corruption-riddled police force. Now, with changes under way in the KGB, Gorbachev must decide who will replace Vlasov as top cop.

—Reported by

Brice van Voorst/Washington



NEW FACE: VLADIMIR KRYUCHKOV



OLD FACE: VIKTOR CHEBRIKOV

The appointment of this former lawyer puts an expert in foreign intelligence in charge of the KGB

Committee for State Security, better known by its initials: KGB.

Peeking into the orderly KGB waiting room, a block away from the headquarters on Dzerzhinsky Square, few would question that the Soviet security service has undergone a dramatic transformation since Stalin's era, when numbed citizens queued for news of arrested relatives. Once a crude weapon of repression, it now functions as a sophisticated instrument of state control, both at home and abroad. But despite the change of image, the KGB still inspires fear and loathing. As a letter in the magazine *Ogonyok* put it last August, "The time has come to lift the curtain of secrecy from the KGB's activities—otherwise how can it be controlled by a

A lukewarm supporter of *glasnost*, the former head of secret police will oversee Gorbachev's legal reforms

cials to get Chebrikov's vacant post.

Western intelligence experts remain puzzled by the maneuver. Although Chebrikov apparently played a pivotal role in bringing Gorbachev to power in 1985, his recent public statements suggested that he was lukewarm about too much *glasnost*. If Chebrikov's new job makes him a watchdog over the activities of the Soviet security forces, his position may have been strengthened. On the other hand, as the Central Committee's new law-and-order secretary, he must deliver on Politburo promises to turn the Soviet Union into a nation "governed by law." Otherwise, he could be trampled in the next leadership shuffle.

It is not clear whether Gorbachev



Smiling farewell: Singh steps out of captivity

TERRORISM

Many Rumors, One Release

Will more hostages be freed?

As usual, photographs and press releases preceded the hostage release. First came a picture of two of the four professors abducted 20 months ago from Beirut University College, along with a message that one of the four would be freed. Then came a picture of all four, three of them apparently bidding a smiling farewell to Hiteshwar Singh, 60, an Indian-born business professor who had lived in the U.S. for 18 years before moving to Beirut. Sure enough, shortly after 10 p.m. last Monday his captors dropped off Singh in front of the former Kuwait embassy in

southern Beirut. Placed under Syrian guard, he was quickly taken to Damascus and turned over to U.S. Ambassador Edward Djerejian. "The treatment was better than I expected," said Singh, a diabetic who was examined twice a week by a doctor during his captivity. "But there is no substitute for freedom in this world."

Singh became the sixth foreign hostage to be set free in Lebanon this year, leaving 13—including nine Americans—still in captivity. What his release means for the others, however, remains unclear. Singh and his three colleagues have always been regarded as a group apart. They were abducted by an organization calling itself Islamic Jihad for the Liberation of Palestine, which is not known to have engaged in any other kidnappings. Most of the remaining hostages are believed to be held by factions of the pro-Iranian Shi'ite extremist organization known as Hizballah (Party of God), which has some different goals. Singh's captors claimed that he was freed in an attempt to win U.S. support for the Palestinian uprising in Israel's occupied territories, for example, while Hizballah demands the release of 17 convicted terrorists held by Kuwait.

Despite Singh's American ties, moreover, he remains a citizen of India and may have been something of an embarrassment to his captors. The U.S. State Department at first hoped that at least one more of the academic prisoners would be set free, largely because Syrian officials promised that "an American" would be coming out of Beirut. When none appeared, some State Department hostage experts concluded that no further prisoners are likely to be re-

leased until a new Administration comes to power. In Paris former Iranian President Abolhassan Banisadr claimed that secret arms-for-hostages negotiations were taking place between Iran and Americans. Secretary of State George Shultz strenuously denied any bargaining at the official level but said that some unauthorized approaches have been made by private parties, whom he invited to "butt out."

In Britain intelligence officials believe they have identified the man holding Terry Waite, the Anglican envoy kidnapped 20 months ago while trying to negotiate the release of other hostages. He is Imad Mughniyah, Hizballah's head of security, whose brother-in-law Mustafa Youssef Badreddin is one of the Shi'ite terrorists serving prison terms in Kuwait.

Western diplomats have privately expressed hope that Iran will exert its leverage within Hizballah for further hostage releases, especially now that Tehran is seeking to emerge from diplomatic isolation and establish new ties with the West. But apparently that decision is not entirely to the liking of one high-ranking Iranian, namely Ayatollah Ruhollah Khomeini. Iranians, he said in a written message last week, must continue to "use their oppressor-burning flames against both the criminal Soviet Union and the world-devouring United States," looking "neither east nor west" for its future. His tone was hardly that of someone contemplating rapprochement—or gestures designed to win U.S. friendship.

—By William R. Doerner.

Reported by David S. Jackson/Cairo and Frank Melville/London

Grapevine

YOUR TURN, VLADIMIR. Thanks to *glasnost*, Soviet journals are crammed with excerpts from previously banned works critical of Communism. Readers can also look forward to upcoming warts-and-all biographies of Joseph Stalin and Leonid Brezhnev. Now even Vladimir Lenin, the saint of Soviet Communism, may be in for a pasting. The journal *Otkryay* says it will soon publish *All Is Flux*, a blistering polemic that puts the blame for the Soviet Union's present-day ills squarely on Lenin's shoulders.

WHODUNIT? Probing the plane crash that killed President Mohammed Zia ul-Haq, investigators are examining a new suspect: Flight Lieut. Sajid. Circumstantial evidence suggests Sajid may have detonated an explosive in the cockpit of the C-130 transport. Suspicion focused on Sajid for three reasons: he was not cleared for VIP flights; he was assigned to Zia's plane at the last minute; and although born a Sunni Muslim, he may secretly have subscribed to the more zealous Shi'ite branch of Islam.



Saint of Communism



Postponer of meetings

TALK, TALK, TALK. In August, Yasser Arafat announced his intention to convene the Palestine National Council to adopt a peace plan that would include the creation of an independent Palestinian state. The session was finally set for this week in Algiers. But now comes word that the P.L.O. leader has postponed the meeting until after November's elections in Israel and the U.S. According to a P.L.O. official, both the Reagan Administration and the Israeli Labor

Party indirectly passed word to Arafat that his proposal could become a punching bag for the candidates.

FATAL DISTRACTION. Bedeviled by coup attempts and a deteriorating economy, Philippine President Cory Aquino must cope with another problem: the extramarital affairs of her Cabinet members. The wives of two officials appealed to her for help in dealing with their philandering husbands. Aquino's solution: she distributed prints of the film *Fatal Attraction* to Cabinet members with the advice, "I want you all to watch this."





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TOYOTA

World

JAPAN

Dress Them In Mourning

As Hirohito's health declines, the mood turns somber

As Japan went through the third week of its death watch over the failing 87-year-old Emperor Hirohito, government leaders canceled trips and local authorities called off annual festivals. Pop concerts and weddings were postponed. Television comedies were hastily rewritten to scrub out profanity and undue frivolity. Newscasters abandoned their designer clothes for unobtrusive gray suits to match the country's somber mood. The Japanese call this *jishuku* (self-restraint), and they mean it.

Not even money seemed to matter. One TV network replaced a popular comedy show with a commercial-free program on baby elephants. The city of Nagoya dutifully passed up an anticipated \$35 million windfall when it called off a grand celebration for its pennant-winning baseball team. Only the nation's flagmakers were cashing in. "I'm not supposed to feel happy, but our sales have zoomed more than tenfold," said Makoto Kobayashi, president of Hinomaru-ya, a Tokyo flag wholesaler.

As the diminutive, long-reigning Hirohito struggled valiantly behind the high walls of the Imperial Palace in central Tokyo, an emotional, almost atavistic nationalism swept the country. Nearly 4 million people signed their names in get-well registers. Although 60% of Japan's 123 million citizens were born after the 1947 constitution stripped the monarchy of divinity, the national vigil demonstrated that the monarchy still meant something more than the chrysanthemum crest on a ceremonial curtain. "The Emperor is the center of Japan's national psyche," said Seisuke Okuno, a 75-year-old Liberal Democratic member of parliament. That sentiment was not restricted to the old or the far right. The Japanese press has depicted a nation united in sorrow over the impending loss of a great spiritual leader.

United, but not necessarily unanimous. There were scattered calls for an examination of the Emperor's responsibility for World War II and complaints of undue reverence in reporting his current illness.

Said Norikatsu Sasagawa, 48, professor of law at the International Christian University: "The Emperor's health has been treated like a classified military secret. The current *jishuku* is just too much." Leftist radicals showed their disgruntlement by setting two tiny bombs at subway stations only a few blocks away from the moated palace where Hirohito lay ill, and spraying red paint near the entrance to the tumulus of the Emperor Jimmu, who may be a mythical figure but is thought by many Japanese to be first in a dynastic line stretching back nearly 2,600 years.

The present government, meanwhile, was wrestling with some rare but pressing decisions. Prime Minister Noboru Takeshita, for example, must choose a name for the next imperial era. All official documents except passports are now dated by the era Showa (Enlightened Peace), which began the day Hirohito became Emperor in 1926. Although some critics call the convention a remnant of the dead imperial past, they don't wish to end it, only transfer to the people responsibility for choosing the new name.

Perhaps the most controversial pending ceremony is the *daijosal*, or enthronement, of Crown Prince Akihito, 54, as the new Emperor. In a Shinto ritual, he is supposedly transformed into a woman, then impregnated by the gods and reborn as a god himself. The \$74.6 million rite poses a serious challenge to the postwar constitutional separation of religion and state. But for mourning Japanese, the ancient imperial extravaganza just might help retrieve their lost autumn.

—By Seisuke Kurose



The vigil goes on: a man prays for his dying spiritual leader. An emotional nationalism sweeps across the land.

BRITAIN

Man in the Middle

Labor's leader eases his line



Kinnock seeks unity but finds division

Neil Kinnock was a worried man as he mounted the podium in Blackpool last week. As the Labor Party met for its annual conference, the latest polls showed that only one voter in four expects it to form a government in the next ten years. He knew that once again his leadership was on trial.

The conference had started well enough for Kinnock. He easily defeated a left-wing attempt to replace him and won endorsement of a key policy document for reforming the party and making it electable again—mainly by forsaking the goal of wholesale nationalizations. Then he delivered a confident, well-applauded speech in which he called on Labor to come to terms with the "fact of the market economy." He sought to seize the initiative from Margaret Thatcher's Tory government with his emphasis on environmental issues, individualism and competitiveness. When Kinnock insisted that no "slide to the right" was involved, left-wing Laborites growled, but were shouted down by the moderate majority.

Later, in an attempt to divert Labor of another electoral deadweight—the party's commitment to unilateral nuclear disarmament—he suggested that Britain might retain nuclear weapons while a Labor government took part in arms talks. But the conferees, led by Ron Todd, head of the Transport and General Workers' Union, instead endorsed unilateralism and called for the removal of all nuclear weapons and bases from Britain. Todd had earlier responded to Kinnock's keynote address with anger. His temper rising as he spoke, the union leader derided Kinnock's supporters as "all sharp suits, cordless telephones, glossy pink roses and winning smiles."

So the Labor leader, who knows that for his party to have a realistic chance of governing again, it must embrace unified and politically acceptable positions, watched it succumb to yet more division. Many supporters echoed the hopes of John Edmonds, head of the General Municipal Boilermakers and Allied Trades Union, that Kinnock "has won the party by his speech." But another senior union boss warned, "If Neil retreats from the gunfire of Todd and drops any part of his reform program, he'll be out as leader. Not tomorrow, not next week or next month. But before the next election."

ANGOLA

Where Blossoms And Bullets Grow

The foreigners may leave soon, but a civil war remains

While diplomats tinker with time-tables for troop withdrawal, Angola bleeds. Negotiators from Cuba, Angola and South Africa are inching toward a detailed accord to send Cuba's 50,000 soldiers home and institute long-promised independence for Namibia. But an agreement on the terms, expected next week in the Congolese capital of Brazzaville, will bring no peace to Angola, whose people have known nothing but war for 27 years. The departing foreigners will leave behind a land glutted with weapons and a Marxist government still at war with the 60,000 homegrown rebels known as UNITA.

Nowhere is the misery of Angola's civil war more palpable than in the provincial capital of Huambo. Lavender-blossomed jacaranda trees line the streets, but many buildings are pockmarked by shellfire and bullets. At a health center, one-legged children push themselves on wooden trolleys while waiting for fresh supplies of artificial limbs. Most became amputees the same way as Fernando Segunda, 16: his right leg was blown off when he stepped on a land mine.

Down south near the Namibian border is the other side of the war's legacy: a state-of-the-art government air base bristling with the latest Soviet-built MiGs, tanks, radar, antiaircraft missiles and camouflaged bunkers. Angola is the tenth largest importer of arms in the world.

The civil war erupted in 1975 as Angola achieved independence after an anti-colonial struggle against Portugal that



had begun in 1961. It has killed more than 100,000 Angolans, wounded tens of thousands and cost the country as much as \$23 billion in war damage, lost crops and lost diamond-mining revenues. And the killing may just keep going on.

The regional peace accord for southern Africa, which was mediated by the U.S., is expected to require the Cubans to depart within 24 months, possibly starting with a partial pullback behind the 13th parallel. During that time, South Africa will gradually remove its troops from Namibia and permit implementation of the ten-year-old U.N. Resolution 435 calling for the territory's independence. The accord is expected to be signed by the U.S., South Africa, Angola and Cuba at a ceremony in Brazzaville. Though a hopeful start, the accord leaves Angola's underlying dispute unresolved: the tribal conflict that pits some 310,000 fighters loyal to Marxist President José Eduardo dos Santos against Jonas Savimbi's tenacious UNITA guerrilla movement.

If anything, Angola's civil war is getting hotter. With Cuban aid, Angolan forces last week pushed an offensive into the heartland of Savimbi's Ovimbundu

tribesmen. The troops captured three towns in central Angola, including Savimbi's birthplace of Munhango.

But the drive has hardly daunted UNITA. Thanks to years of support from South African troops, bases in neighboring states and U.S. military aid, including potent Stinger antiaircraft missiles, Savimbi's men seem as determined as ever. They roam freely in 16 of Angola's 19 provinces and constantly launch deadly assaults on government soldiers. UNITA, Savimbi claims, has enough arms and money to go on fighting for two more years.

When and if the Cuban troops withdraw, things will probably get worse for Dos Santos. He is so dependent on the Cubans that he has them guarding his presidential palace as well as the important American-operated oil installations in the enclave of Cabinda. The Angolan army, one of the best equipped in black Africa, is not well trained in counterinsurgency tactics. Dos Santos lacks the solid base of a tribal chief, so his survival may ultimately depend on whether he can revive Angola's sickly economy. Angola has impressive economic potential in its mineral reserves. But while oil production will bring in about \$2 billion this year, Luanda will spend half of it on Soviet weapons. Since 1985 Dos Santos has sought to encourage private investment and recently asked the International Monetary Fund for help in rescheduling the nation's \$4 billion foreign debt. Still, his reform efforts have yielded no tangible gain.

Thus far, Dos Santos has steadfastly refused to negotiate with Savimbi, who demands the right to share power. But without some form of negotiated national reconciliation, the military stalemate in Angola could keep the door to prosperity shut tight and prolong the 13-year-old civil war for years more.

—By Scott MacLeod.
Reported by James Wide/Brazzaville



On the march: Jonas Savimbi's rebels vow to fight on against the Marxist government; an Angolan soldier limps along after losing a leg in the conflict



**Nine ways an insurance company kept
an accident from becoming a disaster.**



A true story.

On June 26, 1986, a company that provides gold and silver paint to chinaware manufacturers had a devastating fire. Extensive damage was done to its building, equipment and materials. Sure, the company was insured. But its insurance company did more than honor the policy.

1. They helped the business re-open quickly. Once on the scene, the claims adjuster assessed the damage and helped the owners figure out how to resume business as soon as possible.

2. They paid to erect a temporary building. Using provisions in the policy to pay for a pre-fab structure, the company was able to return to business almost as usual within two weeks.

3. They mailed a check right away. In fact, the paint company received its first check for \$100,000 less than five weeks after the fire.

4. They helped dig for gold. The insurance company found that a lot of gold used in the paint was scattered under the debris. They promptly authorized a reclamation firm to recover and clean over 150 ounces of gold at a cost far below the price of the precious metal.

5. They found a way to dispose of toxic wastes. The paint company might have had a hard time finding a reliable company for such specialized work, but the insurance company found a qualified company to dispose of toxic material.

6. They gave it a personal touch. Under the company's policy, the employees were surprised to learn that they would be reimbursed for their personal belongings lost in the fire.

7. They paid to inventory the damage. Most people don't realize that taking inventory of an accident's damages is another expense. But this too was covered under the policy.

8. They took out the garbage. Under the company's policy, debris removal was covered down to the last cinder.

9. They paid the claims on time. A check arrived in September and a final check arrived in December, only five months after the fire.

In the end, the insurance company did one more thing. They wrote another policy. According to the company's owner, that second policy was his best "vote of confidence" in his insurance company.

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The Front Line Begins to Wobble

Botha travels the continent to breach black hostility

BY BRUCE W. NELAN JOHANNESBURG

Much as the black-ruled nations of Africa might detest it, they cannot ignore the fact that the pariah state of South Africa is the economic and military superpower south of the Sahara. This galling reality is the backdrop against which State President P.W. Botha is staging a new diplomatic offensive. In three weeks he has met publicly with three African heads of state and secretly, officials in Pretoria claim, with two others. Flying home from Zaire last week, Botha announced jubilantly, "We are going to other African countries as well, where we will be busy this year and next year." Replacing his usual glower with a grin, he said, "Africa is talking to South Africa."

That is precisely the point. By talking to Botha, black leaders considered implacable enemies of apartheid provide him with a political breakthrough. They hand-shake him out of isolation and invest him with the credentials of international respectability. Televised images of black leaders welcoming him to their lands bolster his ritual argument: southern Africa is an interlocking unit that cannot hope to solve its problems without South Africa's wealth and skills. More immediately, the visible evidence that black African states are cooperating with him helps Botha undermine the sanctions campaign in the U.S. and Europe. "Allegations that South Africa is a destabilizing and disruptive force in southern Africa," he argued last week, "are therefore not true."

Botha's promise to stop destabilizing neighboring states is one reward black nations can anticipate in return for their

hospitality. South Africa also doles out large-scale development loans and credits, which all its neighbors need, and carries on semicovert trade with more than 40 other African countries.

Those levers furnish Pretoria with plenty of coercive power when it chooses to exercise it. But the catalyst for this current burst of public summitry is the prospective agreement for the withdrawal of Cuban troops from Angola and finally the granting of independence to Namibia, now near consummation in Brazzaville. Many states in the area are just as eager as South Africa to speed the departure of 50,000 Cuban troops from Angola as a prelude to ending the 13-year Angolan civil war between the Marxist government and South African-backed UNITA rebels. The attraction of sharing credit for bringing peace to southern Africa is exerting a magnetic pull on leaders who would not otherwise associate with Pretoria.

At the same time, Botha must prove to skittish white citizens at home that there is a payoff for his initiatives. Last August he pulled the South African Defense Force out of Angola. He has agreed to a Nov. 1 deadline to set in motion the long-delayed independence process for Namibia. Afrikaner skeptics are muttering that independence for "South West," as they call Namibia, will just bring another Marxist government to power on South Africa's borders. Botha is using coverage of his road-show triumphs to counteract angry charges of "surrender" from the right-wing Conser-

vative Party, which threatens to score large gains in national municipal elections on Oct. 26.

Botha's problem is how to maintain this fall's diplomatic momentum. He has skillfully orchestrated his parade into those African countries that are particularly vulnerable to South African pressure and blandishments. But he has yet to persuade the leaders of the key front-line states that his journeys offer more than cosmetic change. If anything, Pretoria's state of emergency is more repressive to anti-apartheid forces now than it was two years ago. Zimbabwe's Robert Mugabe, a voluble foe of "the Boers," said stiffly, "I don't know who else Botha will meet. I have no appointment with Botha." Kenneth Kaunda of Zambia, who had talks with the South African leader in 1982, demanded preconditions before talking again. There would be "no more meeting with him at all," he said, until Botha delivered on his promises of peace with his neighbors and independence for Namibia.

Such a comprehensive settlement would almost certainly open more doors in Africa to him. It would probably blunt the sanctions drive in Europe and America. It might even be enough to launch the

regional heads-of-government conference that Botha wants so much to attend. A senior British diplomat observes that the front line is holding firm now, "but it is beginning to wobble." In the meantime, Botha can count on two more summits in coming months when Zaire's Mobutu Sese Seko and Mozambique's Joaquim Chissano pay the return visits they have promised. Yet the real payoff in authentic black-white harmony for the continent will require a more sustained journey than the fleeting visits Botha has made so far. ■

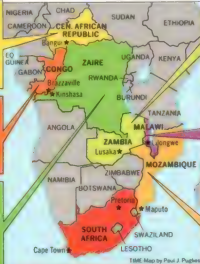


The President

Central African Republic: Edging closer. Senior South African diplomats paid the first official visit to Bangui at the end of September. Last week in Zaire, President André Kolingba publicly supported Mobutu's meeting with Botha.

Congo: Key mediator. President Denis Sassou-Nguesso is playing host to the Angola peace talks. When a Cuban withdrawal is agreed, Botha hopes to attend the signing ceremony in Brazzaville.

Zaire: Much in common. Like South Africa, Mobutu supports UNITA. Botha's visit last week was a breakthrough. Long-standing trade and aid will increase. In return Botha let Mobutu signal "flexibility" on freedom for Nelson Mandela.



Zambia: Standoffish. Kenneth Kaunda's economy, heavily dependent on South Africa, is near collapse. Botha wants approval for a regional summit, but Kaunda chairs the Frontline States and refuses to see Botha until Namibia and Angola are at peace.

Malawi: Long-standing ties. Kamuzu Banda has maintained full diplomatic relations with South Africa since 1967. He promised the visiting Botha "cordial cooperation" in exchange for food aid and debt rescheduling.

Mozambique: New friend. With the economy destroyed by drought and civil war, President Joaquim Chissano is desperate for aid. In a visit last month, Botha again promised not to support rebels and to aid rail, port and hydroelectric projects.



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World Notes



Violation cited: Cuban detainees riot in Atlanta prison in 1987

A Record for Repression

Its aim is to secure freedom for all "prisoners of conscience." In that, Amnesty International is still fighting an uphill global battle, even though its 700,000 members in 150 countries do help make the world more

aware of the prisoners. In its 1988 annual report, the London-based organization last week pointed to repression of one kind or another in 135 countries, the highest number since it began tracking such offenses 27 years ago. The 278-page report concludes that in at least half of the world's countries, "people are locked

away for speaking their minds," and in at least one-third, "men, women and even children are tortured."

In keeping with Amnesty's policy of ideological impartiality, the report includes entries on the Soviet Union and Nicaragua, South Africa and Paraguay, as well as Israel, France and even Switzerland (for sentencing 600 people to imprisonment or suspended imprisonment for refusing military service). The U.S. is cited for executing 25 convicts in 1987 and for its harsh treatment of more than 2,000 Cubans detained in Georgia and Louisiana since the 1980 Mariel boat lift. The Soviet Union's black marks include sending at least 300 people to prison, into exile or to psychiatric hospitals. Explains Amnesty's U.S. executive director, John Healey: "Making people uncomfortable is part of our job." ■



Jolted: President Bendjedid

The Battle Of Algiers

For weeks Algerian workers had staged wildcat strikes at state-owned enterprises, including Air Algérie and the Post and Telegraph Service. Last week the growing anger over high prices and unemployment exploded into the worst riots to rock the nation since it won independence from France 26 years ago. For three days gangs of youths rampaged through Algiers, attacking government buildings, supermarkets, foreign airline offices, restaurants and nightclubs. On Friday some 6,000 demonstrators chanted Islamic slogans.

President Chadli Bendjedid declared a state of emergency, imposed a curfew and called in the army to restore law-and-order. Total property damage was estimated at more than \$100 million. The government said 900 people were arrested, and without disclosing figures admitted that people on both sides were killed during battles between protesters and security forces. Whatever the toll, the outburst jolted Bendjedid's ten-year-old regime, which has sought to revive the country's petroleum-depressed economy with an austerity program that included cuts in subsidies for food and other commodities. The result has been sharply rising prices: a pound of beef now costs about \$12. With popular discontent still unaddressed, the outlook could well be for further unrest. ■

Progress Round The Clock

In the Estonian capital of Tallinn last week, more than 3,000 ethnic activists tested the outer limits of Mikhail Gorbachev's policy of *glasnost*. A congress of the nationalist organization, Estonia's Popular Front in Support of Perestroika, called for more regional autonomy, political democratization, economic freedom, a new currency and adoption of Estonian as the sole national language. But in its push for political changes, the Front stopped short of demands for secession.

Estonia's Communist Party boss Vayno Vyalayas gamely sat in on the congress, evidently considering it riskier to suppress the movement than to try co-opting it, especially since one-fifth of the 60,000 who elected the delegates are Communists. Declared Vyalayas: "This is an example of socialist pluralism." And how. Estonia has already announced that its clocks will no longer be forcibly aligned with Moscow's, but will line up with neutral Finland, one hour farther west. ■



Angry demonstrators bring down an entire provincial leadership

Serbs 15 Politburo 0

In Yugoslavia's autonomous province of Voivodina last week, some 100,000 Serbs demanded and got the resignation of the entire 15-member provincial Politburo. Two days later in Montenegro, thousands of protesters also demanded the ouster of the Communist Party leadership. Across Serbia, largest of the country's six republics, thousands of demonstrators called for tough, centralized control over the southern province of Kosovo, where a majority of the 2 million inhabitants are ethnic Albanians. Many carried photos

of Serbian Party leader Slobodan Milošević.

With six national groups and more than a dozen other ethnic groups in a population of only 24 million, Yugoslavia's nationality problems have been a source of conflict for centuries, but they have been aggravated by economic woes: inflation at 217%, unemployment at 15%, a foreign debt of \$21 billion. Though a party plenum this month will try to defuse regional strife and revive the economy, a Slovene television producer fretted, "No one says it out loud, but everyone worries that [the crisis] can even lead to civil war." ■

**Special
Report:
The Crash,
One Year
Later**

A Financial House of Cards

A year after Black Monday, the worst day in Wall Street history, an unsettling question lingers: Could it happen again? Yes, answers a senior partner in the Lazard Frères investment banking firm and one of the most respected members of the financial community. The securities markets and the tax system must undergo fundamental reforms, he maintains. Otherwise, inadequate regulation, excessive speculation and overuse of credit could bring on a banking crisis and a stock collapse more damaging than the Crash of '87.

BY FELIX G. ROHATYN

I remember being stunned by the 508-point drop in the Dow Jones industrial average last Oct. 19, but it was not until the morning of Oct. 20 that I became truly frightened. The market, on that day, ceased to exist. One major stock after another was closed and could not be traded. With other markets around the world in a similar state of panic, a major financial crisis was obviously at hand.

What saved the situation, at that time, was not only the self-correction of a free market but also vigorous, direct intervention by Government and business. The



U.S. Federal Reserve injected billions of dollars into the banking system and drove down interest rates. Many blue-chip companies announced massive share repurchase programs and drove the market averages back up. The Japanese government urged its securities industry to support the Tokyo market.

In addition to this swift and direct intervention, confidence was maintained by the existence of safety nets and regulatory bodies created during the 1930s, including federal deposit insurance, Social Security and unemployment compensation. There was not a murmur of concern about the banking system since the public assumed, correctly, that the Government was the lender of last resort.

So a financial crisis was avoided. It can even be argued that the actions of the Fed to revive the market, namely pumping huge amounts of liquidity into the economy, provided the stimulus for the strong growth we have seen in 1988. The market has recovered somewhat, and the echoes of the crash are only dimly heard.

But the outward calm is deceptive. The individual investor has been driven away, and a sense of unease is still felt. People are right to feel uneasy: practically nothing has been done to prevent a recurrence of October 1987.

As the dust of the crash is settling, some lessons are emerging. At the same time, an election is upon us. The juncture

of these two events provides an occasion to reflect upon what this country wants its financial markets to be. They can be casinos or they can be the lifeblood of future U.S. economic growth. It is a choice that this country can and should make before events make the decision for us.

If we want our markets to be productive instead of self-destructive, fundamental changes must be made. Unfortunately, a year after the near collapse of our financial system, there is virtually no sign of reform. The report on the crash from the presidential commission headed by Nicholas Brady (now Secretary of the Treasury) is a dead letter. The only result appears to be the adoption of "circuit breakers," which would temporarily halt trading during a steep market plunge. That is not a cure for the disease that brought us Oct. 19.

We have yet to address the basic problems: excessive volatility, excessive speculation, excessive use of credit and inadequate regulation. This speculative behavior is not driven by individual manipulators, as was the case in the 1920s and '30s, but by institutions such as pension funds, insurance companies, banks and savings and loan associations backed, in many cases, by state and U.S. Government guarantees. Curbing speculation and promoting invest-

ment must be the objectives of reform.

The Brady commission confirmed that heavy trading of speculative "derivative products," like stock-index futures, exacerbated the October crash. It is obvious that futures, options and their kin are securities and should be treated as such. Their trading should be regulated by the Securities and Exchange Commission. The fact that they are now regulated by the Commodity Futures Trading Commission has simply turned the securities markets into commodity markets.

The margin requirements on the use of credit to make investments should be uniform for options, futures and their underlying securities. For any of these instruments, investors should have to put up at least 50% of the purchase price. Current margins range from 50% for stocks to as little as 5% for some types of futures. Speculation will be dampened if speculators have more of their own capital at risk.

Volatility could be curbed with taxes on short-swing profits. We should impose a 50% tax on profits from the sale of securities held for less than one year. At the same time, capital gains on securities held for more than five years could be reduced from a maximum of 33% to 15%, possibly on a sliding scale. The effect of such a tax change would be to inhibit short-term trading activities of large institutional investors by making long-term holdings much more attractive economically.



Business

Since the banking system virtually underwrote the securities industry last October, it is appropriate that the Federal Reserve be given the regulatory power to make sure that the investment firms and the specialists at the exchanges have adequate capital to cope with market swings. The greater and greater assumption of risks by the securities industry requires significantly higher levels of permanent capital to support such risks.

The problems, however, go much deeper than that. The deregulation of the financial markets has helped produce a stunning amount of corporate and personal debt. In particular, almost \$200 billion worth of high-yielding junk bonds has been issued over the past few years; a substantial part of which was used in connection with takeovers and restructurings. In certain instances, the use of a reasonable amount of high-yield debt can easily be justified. However, it is questionable whether businesses can service all of this debt while investing for growth. A recession could bring a wave of defaults.

The proliferation of speculative financial instruments is tied to the new role of institutional investors. In fact, the term institutional investor is becoming a contradiction in terms. Too many institutions no longer invest. Instead they *speculate*—in every type of financial vehicle from options to junk bonds, from real estate to foreign exchange. They are active players in the takeover game, encouraging corporations either to sell out or to engage in highly leveraged restructurings essentially aimed at maximizing short-term trading profits. But while the managers of institutional funds engage in this speculation, the money is not theirs. They are risking the assets of retirees, depositors and policyholders. Since many of these institutions carry the explicit or implicit guarantee of the states or the Federal Government, they are also putting the taxpayers at risk.

Junk bonds are piling up on top of a huge mountain of existing debt. The world's commercial banks hold almost half of the \$1.2 trillion in Third World debt. That debt is choking growth in half the world, and most of it will never get repaid. At the same time, both banks and savings and loan associations have made billions of dollars' worth of bad loans to the real estate and energy industries.

The price that the taxpayers will pay for too rapid financial deregulation and laxness in oversight is murky at this time, but, in the long run, will be staggering. Bank bailouts may well cost the taxpayers billions of dollars. Even though the Federal Deposit Insurance Corporation has a

fund of about \$15 billion to deal with banks in difficulty, this is not likely to be adequate to deal with the amount of trouble that could arise as a result of a serious recession and Third World-debt defaults. American banks have an exposure of close to \$100 billion to Third World borrowers; a 50% loss in the market value of these debts, if it were to be officially acknowledged, would require nearly \$50 billion of capital support, more than three times the size of the present FDIC fund. Existing loan-loss reserves would provide part of the capital, but not nearly enough

ed. In many European countries, companies are taxed only on retained earnings and not on profits distributed as dividends. This is not the case in the U.S., where dividends are taxed first as corporate income and then as personal income. The European method favors dividend payments and makes stocks more attractive to investors; it should be adopted in the U.S. At the same time, we should limit the federal tax subsidies of speculative corporate debt by reducing, to some extent, the deductibility of interest for over-leveraged nonfinancial companies.

We were very lucky last October. Lucky not only because decisive steps by various governments stabilized the situation, but also because the bond market and the dollar did not crash along with stocks. One does not have to be a prophet of doom and gloom to sketch a possible downside scenario despite current strong economic statistics. With the trade deficit still high, inflation on the rise, no resolution to Third World debt problems and no decisive action on the federal budget deficit, we could see another steep decline of the dollar, a spurt in interest rates, a break in bond prices and a new plunge in the stock market. Major securities firms could have their capital seriously impaired by portfolio losses in their stock and bond inventories. Ultimately, loan defaults by Third World countries, financial and real estate firms, overleveraged companies and other borrowers could produce a banking crisis.

We have created a gigantic financial house of cards. We have had fair warning about its weakness. It is no

coincidence that the explosion in speculation during the past few years has been accompanied by a significant increase in the level of illegal or unethical behavior in the financial community. Charges of insider trading, market manipulation, conflicts of interest and securities fraud are more and more common. The media have made their own contribution to this frenzied climate. They have turned raiders and junk-bond kings into a new economic elite, and takeovers into the highest form of business endeavor. But the combination of highly volatile markets and reports of irresponsible behavior by many in the financial community has undermined public confidence in the fairness of the system.

Confidence in our financial markets has been an enormous national asset. It fueled our economy during the past 40 years. At a time when the need for domestic investment is very great, that confidence must be restored. And it can only be restored through swift and strong action by federal regulators, Congress and the White House. ■



**"Too many institutions
no longer invest.
Instead they speculate —
in every type
of financial vehicle
from options to junk bonds,
from real estate to
foreign exchange."**

—Felix Rohatyn

to cover the exposure. Estimates on the ultimate cost of rescuing the S and Ls increase almost daily, with some experts predicting \$50 billion to \$70 billion as the possible charge to the taxpayers.

To protect the taxpayers public and promote investment instead of speculation, Government regulators should sharply limit the amount of junk bonds and other risky investments held by institutions insured by federal and state agencies. In addition, the federal deposit insurance system should be revamped to ensure that it encourages prudent management at financial institutions. At the moment, regulators bail out mismanaged S and Ls and often turn them over to new owners who commit little or no capital of their own and who get a free ride to continue the institutions' speculative activity at no risk to themselves.

The U.S. should encourage equity investment and discourage excessive debt through changes in the tax laws. Specifically, the double tax on dividend payments by corporations should be eliminat-

**Special
Report:
One Year
Later**

It Was the Best of Times...

The crash has made winners of raiders, investigators and con men

For many people, the Crash of '87 turned out to be a heart-stopping carnival ride that dropped them off just about where they had been before the stock-price run-up that preceded the collapse. But others found their worlds turned upside down. Last year's bulls are this year's goats, and bad-news bears are best-selling authors. A gallery, starting with who's up:

WHEN ZWIG TALKS, PEOPLE LISTEN.

Analysts who foretold the crash have achieved guru status. Chief among them may be Marty Zweig, 46, who publishes the *Zweig Forecast* newsletter and manages \$1.3 billion in pension funds from his Manhattan headquarters. Zweig turned bearish in September 1987 and predicted that the Dow Jones average would soon plunge 1,000 points, to 1755 (the actual bottom: 1738). In the year since his prediction came true, with most newsletters sagging, his subscriber list has grown 90%, to 15,275 (at \$245 a year).



Zweig gave a red light

HE NEVER PROMISED YOU A ROSE GARDEN.

Quite the opposite, but everything's coming up profits anyway for doomsayer Ravi Batra, 45, the economics professor at Southern Methodist University who wrote *The Great Depression of 1990*. First published by a small press in 1985 and then by Simon & Schuster in June 1987, the book sold more than 500,000 copies in hard cover. His promptly produced sequel, *Surviving the Great Depression of 1990*, was released last month with a first printing of 200,000.

RIDING A SMALL, FAST-MOVING VEHICLE.

Anticipating the collapse, the managers of suburban Chicago's relatively tiny Mathers Fund moved 62% of its assets into cash in the months before Oct. 19. Then they plunged back into the market during the last 45 minutes of Black Monday and kept buying for nine days. Since then, their purchases have surged in value, helping to boost the Mathers Fund from \$154 million in assets just before the crash to \$201 million now. Its increase of 27% during 1987 was the best performance by any U.S. growth fund.

NOW WE CAN HIRE SOME OF THOSE M.B.A.S TO GO MAKE SOAP IN CINCINNATI.

The crash should help U.S. industrial companies by slowing the investment-banking brain drain, in which so many of the most talented business school graduates were going to Wall Street. Recruiters for companies ranging from General Motors to IBM find that 1988 grads are showing a renewed interest in running factories rather than financings.

THOSE CORPORATE RAIDERS CAN ALWAYS SMELL A BARGAIN.

Take-over artists, restrained by high stock prices before the crash, have gone on a shopping spree once again. Florida-based financier Paul Bilzerian, 38, acquired the Singer Co. for \$1.06 billion last February partly because the crash had depressed its stock price. Since then, Bilzerian has sold off eight of Singer's twelve divisions for a total of \$1.94 billion, more than enough to cover all his costs. In the end, he is expected to reap a \$300 million profit. The Government is investigating his earlier raids for possible securities-law violations, which he denies having committed.

SCARED OF THE MARKET? HAVE I GOT A DEAL (HEH, HEH) FOR YOU!

Artists have enjoyed a banner year since the crash by preying on small investors who have grown leery of the market. In September state securities regulators warned that investors could lose \$250 million this year to hucksters peddling bogus goldmine shares. The hottest scam is the so-called dirt-pile gold mine. Typically, investors are urged to buy 100-ton units of

unprocessed ore (average price: \$5,000), which are guaranteed to contain 20 oz. of the precious metal, whose price is hovering around \$400 per oz. That would be a good deal, except that the gold is usually unrecoverable or nonexistent.



Wall Street's Woodstein: Hertzberg, Stewart

BREAK UP THAT DYNAMIC DUO.

Wall Streeters believed at first that Black Monday was the ultimate downer. Then the *Wall Street Journal's* reporting team of Daniel Hertzberg and James B. Stewart disclosed that on Terrible Tuesday, Oct. 20, things were so bad the New York Stock Exchange came within a whisker of shutting down. Says Hertzberg: "The market came closer to a breakdown than people realize. We were near total financial gridlock." For that story and a report on insider trading, they won a Pulitzer Prize (the cash award: \$1,500 each). But now the team has been broken up by its own success. This month the lanky Stewart, 37, a Harvard-trained lawyer and prolific writer, took over as Page One editor at the *Journal*, and the energetic Hertzberg, 42, a persistent investigator, was promoted to editor of markets and investing.

ANY IDEAS FOR FIXING THIS THING?

In the numerous postcrash probes, two leaders emerged from opposite political poles. U.S. Representative Edward Markey, 42, a Massachusetts Democrat who had been known as a liberal gadfly until he took over as chairman last year of the House Subcommittee on Telecommunications and Finance, earned grudging respect from the markets for his well-considered reform proposals. His insider-trading bill passed the House 410 to 0 and awaits Senate consideration. Nicholas Brady, 58, the Republican investment-house executive who headed a presidential commission on the crash, delivered a report that startled Wall Street by calling for tough curbs on its freeheeling ways. Brady's independent streak no doubt helped him earn his appointment last month as Treasury Secretary. →



**Special
Report:
One Year
Later**

... It Was the Worst of Times

The losers include fallen gurus, battered brokers and rich dropouts

THEY BARELY KNEW WHAT HIT THEM.

Al Frank, publisher of the Santa Monica-based newsletter *The Prudent Speculator* (\$200 a year), admits that he was "clobbered" by the crash and its aftermath. He regrets failing to warn his readers, saying, "We had a lot of new clients who had signed up at the top of the market. Their stocks did not do well. It was very sad for me." Frank, 58, lost \$750,000 of his own money, and his subscriber list has dwindled from 5,700 a year ago to 2,500 now.

Georgia's Robert Prechter, 39, had become the hottest stock guru in 1986 and '87 because of the bullish predictions in his newsletter *The Elliott Wave Theorist* (\$233 a year). He based his forecasts on a mix of esoteric formulas and offbeat indicators like hemlines: the return of the miniskirt, he said, was a sign of a peak in the market. Prechter issued a warning on Oct. 5, advising his subscribers to sell their stocks. But he did not pre-



NBODY KNOWS THE TROUBLE THEY'VE SEEN.

Retail stock brokerages are suffering because small investors, a primary source of commissions, are staying out of the market. Nearly 16,000 securities-industry workers have lost their jobs, while profits have plunged at such firms as Merrill Lynch and Paine Webber. The largest investment houses have survived the down cycle, with one exception: E.F. Hutton, already suffering from a check-kiting scandal before the crash, nearly collapsed afterward and was absorbed last December by Shearson Lehman.

Suburban Chicago's Oberweis Securities, a fast-growing small firm before the crash, abruptly halted its expansion plans this year. James Oberweis, the company chairman, decided to diversify by selling 50.1% of his brokerage to another firm and expanding his family's dairy company by buying a chain of ice-cream shops. Says Oberweis: "The ice-cream business is a lot better than the brokerage business these days."

AM I IMAGINING THINGS, OR IS HE SERVING CHEAPER CHAMPAGNE?

Many losers of the last year have escaped embarrassment by refusing to admit their setbacks. Robert Fomon, 62, who resigned as chairman of E.F. Hutton in May 1987, claims that "it is very fashionable to lie about [the crash]. Now everyone says that he wasn't in the market." Several snipers contend that Donald Trump, the developer and casino kingpin, was bitten hard by the bear, even though he bragged late last October that he was smart enough to get out just in time.

OOPS! BAD TIME TO GO OUT ON A LIMB.

Robert Holmes à Court, 51, Australia's first billionaire, was heading for a fall last year when he bought huge blocks of stock, including a 10% stake in Texaco. The crash cut his personal fortune from an estimated \$1.1 billion in mid-1987 to \$400 million now. Lately, instead of stalking giant corporations on several continents, the Perth-based investor has been making far more modest acquisitions, such as sheep ranches, land for an industrial park and paintings for his private collection.

BUY A HOUSE FOR HALF A MILLION AND GET A GARAGE-DOOR EAGLE FOR FREE.

While sales of many luxury goods have remained strong, the market has gone notably soft in some metropolitan areas for houses in the \$400,000-to-\$600,000 price range. Those were the yuppie domiciles that brokers, traders and investment bankers in their thirtysomethings could well afford during bull-market days. Prices have not fallen drastically yet, but hardly anyone is buying, especially in Wall Street's primary bedroom, Connecticut, and favorite resort, Long Island's Hamptons.

WILL THE LAST PERSON TO LEAVE THE PITS PLEASE TURN OUT THE LIGHTS?

Trading volume at the Chicago Board Options Exchange has plunged 43% in the first eight months of 1988, compared with the same period the previous year. During the bull market, the exchange had boomed partly because stock investors had hedged their Wall Street bets by buying options contracts. But now business is so slow that 150 of the exchange's 1,200 employees have been given severance packages. One of the most renowned traders on the exchange, Jack Keller, 45, has moved his family back to Las Vegas and temporarily resumed his previous career as a professional poker player. "If the market picks up, I'll go back," says Keller. "But very few people are making money down at the exchange, from what I hear. I just hear moaning and groaning." —By Stephen Koopig



Keller opts for cards

Reported by Lisa Kartus/Chicago and Martha Smilgis/New York



Prechter disappointed some of his followers

dict the downturn's severity, which disappointed some followers. "New business has virtually disappeared," Prechter concedes, but he is philosophical: "Going through the valley is something I've done before."

TAKE THIS JOB AND SHOVE IT. Richard Dennis, 39, known in Chicago as the Prince of the Pit, was one of the most successful commodities traders in the world. He launched bold invasions into markets ranging from Treasury bonds to precious metals. But he took a bath in financial futures after the crash and in grain during last summer's drought. His two public commodities funds lost an estimated \$50 million in the past year, or nearly 50% of their value. Dennis decided last month to pack up his diminished fortune, estimated at \$200 million, and move on to another pursuit: politics. He aims to invest in causes and candidates that reflect a philosophy he describes as "an idiosyncratic mix of economic free markets and liberal social policies."

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Business Notes

A Ragtop for The Long Haul

Think of the classic convertible cars: long, sleek, sporty, maybe even a bit impractical. All in all, not the kind of vehicle that would lend itself to a gun rack behind the driver's seat or a load of cargo bouncing around in the back. Think again: Chrysler, the No. 3 U.S. automaker, plans to introduce in early 1989 a Dodge Dakota pickup truck with a removable, manually operated vinyl top.

At about \$13,000, the model would be one of the lowest-priced convertibles in the American market. Ford and Toyota are said to be mulling their own moves into convertible pickups.



Chrysler's Dakota convertible pickup is due out early next year—gun rack and mudguards not included

Unlikely Copilots

They have suddenly become the airline industry's most surprising partners. Frank Lorenzo, chairman of Texas Air, oversees two carriers—Eastern and Continental—that are plagued by union strife, deep operating losses and sloppy service. Jan Carlzon, president of Scandinavian Airlines System, pilots a peaceful, profitable, smooth-running fleet. Yet last week the two men shook hands on a deal billed as the industry's first global alliance among major international carriers. For up to \$50 million, SAS will buy a 10% stake in Texas Air and gain greater access to the U.S. market by leasing the rights to three of Continental's 41 gates at New Jersey's Newark airport. Each airline will feed passengers into the other's route systems and share some ground crews and training centers. Said Lorenzo: "It's an ideal marriage."

As in many marriages, it is a case of opposites attracting. Lorenzo said he was counting on SAS employees to impart their dedication to service to his 70,000 workers. Carlzon said he hopes to learn some of Texas Air's cost-cutting tech-

niques as the European airline industry enters a period of deregulation akin to the one that Lorenzo has weathered in the U.S.

At week's end Lorenzo was working on another bold move. Sources close to Texas Air confirmed that both TWA chairman Carl Icahn and New York developer Donald Trump were negotiating with Lorenzo to buy all or part of Eastern. Trump's particular interest is the shuttle connecting Boston, New York City and Washington.

Recipe for A Takeover

For the past year the Pillsbury Doughboy has not had much reason to let out his giddle. While Pillsbury enjoys strong sales of vegetables, baking products and other grocery items, its restaurant division, including the Burger King chain, has lagged. In the Minneapolis-based company's most recent fiscal year, earnings plummeted 62%, to \$69 million, on revenues of \$6.2 billion, as the company closed nearly 100 restaurants and sold its Godfather's Pizza chain.

But Pillsbury still looks appetizing to one investor. Last week Britain's Grand Metro-

politan, a brewing and restaurant giant (1987 revenues: \$10 billion), made a surprise \$5.2 billion takeover bid for the Doughboy's company. Pillsbury is resisting the offer, but at \$60 a share, it may be too good for stockholders to refuse. The bid sent Pillsbury stock, which had traded at less than \$40, soaring \$18 in one day.

Trim a Little Off the Top

There are 8 million stories in the Naked City—which is twelve stories too many. Last week the U.S. Supreme Court let stand a lower court ruling requiring a New York City developer to tear down the top dozen floors of a new 31-story condominium on Manhattan's East Side. The concrete superstructure for all 31 floors was in place in 1986 when the city found that the building violated zoning laws and ordered it cut down to size. The developer, Parkview Associates, kept working on the building and went to court, arguing that there had been an error in the city's zoning map. But Parkview should have noticed the error, a New York appeals court ruled in February. Decapitation of the condo could cost \$9 million.

We Really Must Insist

When the Kuwait Investment Office began putting money into British Petroleum stock last October, Britain gratefully welcomed the new shareholder. The Thatcher government's ill-timed \$12 billion public offering of BP shares had run smack into the worldwide stock crash, and the Kuwaitis were among the few investors willing to buy. Britain's relief turned to discomfort, though, as Kuwait's stake in the oil company kept growing, from 10% last November to a current level of 21.6%, making the Arab country by far BP's largest stockholder.

Getting nowhere with diplomatic requests that Kuwait unwind its investment, the Thatcher government last week ordered the OPEC member to slash its \$5 billion stake in BP by more than half, to 9.9% of BP's shares, by next October. Under British laws regulating investments that affect the public interest, the government can legally force Kuwait to comply. Allowing a member of OPEC to have a major voice in BP's affairs, said the British Monopolies and Mergers Commission, is not in Britain's best interest.

Environment

Big Trouble at Savannah River

Probes of a nuclear plant reveal safety flaws and near accidents

The revelations were enough to curl the hair on the neck of the most seasoned nuclear engineer. Last April a reactor at the Federal Government's sprawling Savannah River Plant near Aiken, S.C., was shut down to upgrade safety systems—with partially irradiated tritium still in its core. In August technicians, oblivious to the decaying radioactive material inside, tried to restart the reactor but were unable to keep it going. The next day they tried again. Ignoring procedure, they set off an abnormal jump in nuclear fission, usually a sign of imminent trouble. Workers ignored the warning, forcing plant officials to intervene to shut down the reactor.

For decades, such incidents have been alarmingly frequent at the aging facility, which manufactures materials for nuclear bombs. Moreover, officials at the Department of Energy, which oversees the plant, conceded last week that dozens of such near accidents and nuclear mishaps have gone largely unreported for more than 30 years. Admitted DOE safety chief Richard Starostek: "If this had been a civilian plant, it would have been shut down."

Ever since it went on line in 1953, the Savannah River facility has operated behind a barrier of secrecy so impenetrable that officials in Washington were often in the dark. In recent months Government investigators have begun to turn up internal memos that are shattering the silence. The result: a congressional hearing that revealed a stunning list of nuclear incidents caused by a combination of primitive instrumentation, inadequately trained personnel and a management meltdown by both DOE and E.I. du Pont de Nemours, which runs the plant for the Federal Government. The impact on the environment is not yet fully known, but thousands of gallons of radioactive material have already leaked into the ground-water. The contamination, says a 1985 Du Pont memo, may exist "centuries or millennia into the future."

The pivotal facility is projected to consume 19% of the \$8.1 billion DOE budget for weapons production next year. Some 17,900 people work on its 192,323-acre site, even though two of Savannah River's five reactors are shut down per-



A disaster waiting to happen: reactor stands idle near Aiken, S.C.

"If this had been a civilian plant, it would have been shut down."

manently, and the others are not allowed to run at full power in part because of deficiencies in their emergency cooling systems. Still, the plant is the sole supplier of plutonium and tritium, the flint and steel of nuclear warheads. While the nation probably has all the plutonium it needs, tritium, which enhances plutonium's yield, has a half-life of twelve years and must be continuously produced to maintain the nation's nuclear stockpile.

Shortly after his appointment in 1985, Secretary of Energy John Herrington established an internal DOE team, known as

the "junkyard dogs," to look into safety problems at federal nuclear facilities. After the Soviet Union's Chernobyl disaster in 1986, Herrington turned to the National Academy of Sciences to assess the situation in South Carolina. An academy panel concluded last year that DOE was torn by the

"conflicting responsibilities" of meeting production quotas while maintaining safety. Operation of the facilities, it said, had been left in the hands of "largely self-regulated contractors," while safety oversight was "ingrown and largely outside the scrutiny of the public."

Those conclusions were confirmed this year when congressional investigators began questioning Savannah River personnel about local press reports alleging that reactors had gone "out of control" during start-up operations. While the investigators found no evidence of disastrous accidents and only occasional danger to plant workers

or the public, they were stunned by the management inadequacies. Among the most damaging evidence: a memo by Du Pont plant supervisor G.C. Ridgely that listed 30 "reactor incidents of greatest significance" between 1957 and 1985.

Another memo, prepared by Du Pont engineer Frederick Christensen when he retired in 1981, noted that one mishap in 1965 could have turned into a catastrophe when a foreman wanted to stop a coolant leak by closing off the flow of water to the reactor. The foreman was stopped by a senior supervisor who realized that the action would result in a steam buildup and a possible explosion in the reactor. Wrote Christensen: "One trained man stood between us and disaster."

Du Pont, for its part, is calling it quits at Savannah River. Early next year the company will turn over management of the facility to Westinghouse Electric. There will be plenty of work for the new operators. For starters, DOE wants to build a new reactor to make tritium. Also, Westinghouse will inherit 34 million gallons of highly radioactive liquid waste now kept in 51 aging storage tanks, which environmentalists fear may leak. "Making bombs is a dirty business," says South Carolina environmentalist Frances Close Hart. "People don't really know how to clean this stuff up." That job, according to DOE estimates, may cost as much as \$1 billion over at least two decades.

—By Dick Thompson, Reported by Hays Corey/Washington and Michael Mason/Atlanta

A LITANY OF MISHAPS

December 1979. During a brownout, a crane moving reactor fuel stalled, leaving "hot" fuel partly exposed.

February 1972. Temperature of cooling water exceeded limits. Had the water boiled, fuel could have melted.

November 1970. While workers ignored an alarm, radioactive debris contaminated a processing room.

May 1964. For 40 days, a reactor-shutdown button did not work, preventing emergency shutdown.

January 1960. Control rods withdrawn too quickly. Resulting power surge nearly caused coolant to boil.

COVER STORY

The Big Boys' Blues

Challenged by cable, VCRs and an audience eager to zap, the networks face the most troubled fall in their history

BY RICHARD ZOGLIN

Like all good TV dramas, this one starts with an exciting pre-credit sequence. The time is early 1979, and the network wars have reached a frenzied peak. Sitcoms like *Happy Days* and *Laverne & Shirley* are riding high in the Nielsen. Blockbuster mini-series are vying to reproduce the huge audiences that tuned in for *Roots*. Star programmer Fred Silverman, the Man with the Golden Gut, is ready to try everything from Gary Coleman to *Supertrain* in his quest to lift NBC out of the prime-time ratings cellar.

So fade in to Sunday, Feb. 11, 1979, the evening of the most widely publicized programming matchup in TV history. On CBS: a rare telecast of *Gone With the Wind*. On NBC: the TV debut of *One Flew Over the Cuckoo's Nest*. On ABC: a much

In 1978 the networks had a **92%** share of prime-time viewers...



Beauty and the Beast: rare new success on an aging prime-time schedule



CBS was once the Tiffany of networks, but last season it sank to No. 3 in the ratings. Chairman Laurence Tisch has sold off CBS's book and record divisions. Some think he wants to sell the network too.

hyped TV movie, *Elvis!* Some network programmers grumble that this costly confrontation amounts to a three-way kamikaze mission. But it draws the crowds. *Elvis!* wins a 40% share of the viewing audience, *Gone With the Wind* gets 36%, and *Cuckoo's Nest* pulls in 32%. Does that add up to more than 100%? Indeed: some households had two sets on.

Now cut to fall of 1988 and, in network television, nothing adds up. The three networks are still scrapping with one another for ratings supremacy, but the days when they dominated the airwaves so thoroughly are just a *Wonder Years* memory. Only a few theatrical movies comparable to *One Flew Over the Cuckoo's Nest* show up on network TV anymore; when they do, most people have already seen them on pay cable or videocassette. *Gone With the Wind* is no longer available to the networks at all: rights to it

are owned by Atlanta TV mogul Ted Turner, who used it to launch his new cable channel, TNT, last week. And the days when TV movies could attract 40% of the viewing audience, almost without trying, are as dead as Elvis.

NBC, ABC and CBS—the three companies that have virtually defined American television since the days of Uncle Miltie, *Maverick* and *Playhouse 90*—may not be dying, but they are sick and fighting for survival. Eating away at their audience is a panoply of new video choices: cable channels, independent stations, videocassette recorders, even an upstart “fourth network.” The three networks’ combined share of the audience shrank to a low of 70% last season, and the decline shows no signs of leveling off. New technologies like home satellite dishes and fiber-optic cable could eventually pose even greater threats. “We’ve been outplayed, outsold,



Moonlighting: once a hit, now hit by production problems

ALF: one wisecracking alien, a smash sitcom for No. 1



ABC squeaked into second place in prime time last season. But the mini-series *War and Remembrance* is a \$100 million gamble that is unlikely to pay off. Boss Tom Murphy's solution: expand into cable.



NBC is enjoying healthy profits under chief Robert Wright. But the Summer Olympics, expected to be a blockbuster, were a ratings disappointment and a surprise money loser.

outmarketed, outthrust by younger entrepreneurs," says Howard Stringer, the former president of CBS News recently promoted to head of the CBS Broadcast Group. "We are still the Goliath of broadcasting, but we will be slain by all the little Davids if we don't pay attention to them."

As if that weren't trauma enough, the networks are struggling through their worst autumn ever. Because of the five-month writers' strike, which shut down production on most shows during the spring and summer, the fall season is a shambles. The first of the new series premiered on NBC last week, but others will take months to dribble in. The disruption could give viewers one more excuse to flip the dial and sample the competition—just what the networks don't need.

Even before this fall, however, the excitement had largely drained out of these annual new-season blitzes. For one thing,

there is too much happening elsewhere on the dial, from PBS to pay cable. For another, authentic new network hits seem harder and harder to come by. When the audience for network TV was huge and habitual, nearly anything that programmers threw out at least got sampled. Today most new shows seem doomed to demise unless they get a time slot next to an established hit. Of the 22 network series introduced last fall, only two wound up in the season's Top 30. One, *A Different World*, had the foolproof time period after *The Cosby Show*; the other, *My Two Dads*, followed *Family Ties*.

How did the networks get themselves into such a mess? To a great extent, they are victims of a changing TV universe. "The networks are not doing anything wrong," says Ted Turner, the veteran network basher who tried to take over CBS three years ago. "It's like AM radio. They

weren't doing anything wrong either, but FM radio was better." Years of colossal audiences and soaring ad revenues, however, bred complacency. "The networks closed their eyes to reality," says Ralph Baruch, former president of Viacom International and now a senior fellow at the Gannett Center for Media Studies. "They didn't fully comprehend the extent of technological changes." Norman Lear, creator of *All in the Family* and now the owner of six independent TV stations, sees the networks' distress as retribution for their copycat programming. "If these guys were standing in a circle with razors at each other's throats," he asserts, "they could not be committing suicide more energetically."

Yet viewers are not zapping the networks simply because of bad shows. Programming is no worse than it was during the 1960s and '70s, when viewing levels were lofty; indeed, with such ground-



Vanessa Redgrave, John Gielgud, Charlton Heston, in TNT's forthcoming *A Man for All Seasons*

CABLE now reaches nearly four times as many homes as it did ten years ago, and ad revenues have risen from \$380 million in 1983 to \$1.1 billion in 1987. That gives some cable channels the clout to compete with the three networks for programming.

breaking fare as *Miami Vice*, *Moonlighting* and *Late Night with David Letterman*, it is probably better. The real reason is that network TV is no longer the only game in town. Among the new players:

- Cable reaches 52.8% of all U.S. TV homes, up from 17.5% ten years ago, according to the A.C. Nielsen Co. Viewers who got their homes wired back in the 1970s were attracted mainly by the promise of better reception and pay-cable movies. Now they can sample a growing smorgasbord of fare, from news and sports to music videos. Flush with ad revenues, cable networks are competing aggressively for programming. ESPN, for example, has picked up a package of Sunday-night NFL games that are bringing record high ratings for the sports network. Cable may also bid for the rights to part of the 1992 Olympics. Canceled network shows like *Alfred Hitchcock Presents* and *The Days and Nights of Molly Dodd* have been picked up by cable, which is developing its own movies and series as well. Although each channel takes only a sliver of the viewing pie, collectively they hurt. Says NBC Entertainment president Brandon Tartikoff: "We're being nibbled to death by these piranhas known as CNN, Lifetime and Sunday Night Football."

- Syndicated programming—shows distributed directly to stations rather than through the networks—has spurred in popularity, both on independent stations and network affiliates. Many of the latter are shoving aside network fare for syndicated shows (on which they can sell more advertising time). The ABC and CBS stations in New York City, for example, have shifted their networks' evening newscasts from 7 p.m. to the less watched 6:30 time period to make room for syndicated game shows.

- The Fox network, though hampered by a weaker station lineup, has also made an impact on network viewing, especially on Sunday nights. Fox's *21 Jump Street*, a teen-oriented cop show, has grabbed a healthy share of the audience at 7 p.m., and the new crime-stopper series *America's Most Wanted* often beats several network shows in the weekly Nielsen list.

- VCR machines, exotic and expensive toys just ten years ago, have found their way into 60% of American homes, according to Nielsen. A study by Paul Kagan Associates, a California-based research firm,

found that the typical VCR household rents 4½ movies a month, and such viewing has almost certainly cuts into network ratings. More insidiously, the VCR—and its high-tech sidekick, the remote-control unit—has encouraged a new, more active method of TV viewing known as "grazing." A survey published last month by *Channels* magazine found that 75% of all TV homes have remote-control buttons, and nearly half of the button pushers say they switch channels frequently during programming.

All of this has helped depress the numbers that networks live by. A decade ago, the benchmark of prime-time success was a Nielsen rating of 20. (The rating refers to the percentage of total TV homes that are tuned in to a particular show. The "share" refers to the percentage of homes watching TV that are tuned to that show.) In the 1980-81 season, 28 network series achieved a 20 rating or better; last season only nine did. For many weeks last summer, not a single network show cracked the 20-rating level.

The ratings for expensive network specials and sports have also been sinking. The Summer Olympics on NBC drew an average prime-time rating of 17.9, well under the 21.2 promised to advertisers—and a Bob Beamon long jump away from the 23.2 drawn by ABC for the Summer Games in 1984. NBC, which paid \$300 million for the TV rights, will show an unexpected loss because of the compensation time it must give advertisers.

Blockbuster mini-series too have slipped badly in the ratings since the days of *Roots* and *The Winds of War*. Because of their high production costs and poor performance in reruns, they are rarely



Independent hit: *Star Trek: The Next Generation* beams down to 218 stations

SYNDICATION is robbing the networks of viewers, both on independent stations and on network affiliates. The offerings range from high-rated game shows like *Wheel of Fortune* to Gerald Rivera's expedition into Al Capone's empty vault.

Video

profitable. ABC's 30-hour version of *War and Remembrance* the first 18 hours of which will be telecast in November could lose up to \$20 million for the network, ABC executives say, even if it does well in the ratings. These elephantine projects are probably doomed to extinction.

Such results have had an inevitable impact on the networks' bottom lines. Profits have plummeted at all but NBC. Each of the three networks has been taken over by a new corporate owner—ABC by Capital Cities Communications, NBC by General Electric, and CBS by Loews chairman Laurence Tisch—that has instituted severe cost-cutting measures. Some 3,500 people, from technicians to network censors, have been laid off at the Big Three in the past two years. Although some further postelection cuts are anticipated at CBS News and NBC News, the bulk of the reducing is probably over. "We need all the people we've got right now," says Capital Cities-ABC chairman Thomas Murphy. "I would think the other networks would be finished also."

Instead, the networks are looking for ways to expand their revenue base. In many cases, that means joining the competition. ABC owns 80% of ESPN, as well as smaller pieces of the Lifetime and Arts & Entertainment cable services. The network is also producing shows for cable, such as a documentary series on the Cold War, *The Eagle and the Bear*, done in collaboration with A&E. NBC is launching a 24-hour business-news channel for cable early next year, and has formed a home-video partnership with Columbia Pictures. Only Tisch at CBS has held back from such diversification. Since taking over the network in 1986, he has sold off CBS's record and publishing divisions, leaving the company with a hoard of cash and inviting rumors that he plans to sell the network. Tisch denies it; he has instead gone shopping for more local stations. (Despite the troubled times, the network-owned stations have continued to show healthy profits.)

The networks' financial woes are increasingly being reflected on the home screen, for good and ill. News programming is becoming more popular with network executives because it costs less to produce. CBS now has three hours of news in prime time; ABC has one and is planning a second for January. The networks are looking more kindly at other "reality" shows as well. ABC, for instance, has just set up a new subsidiary to produce nature shows and other nonfiction specials, both for the network and for other outlets.

Entertainment shows, meanwhile, are facing a cost squeeze. Hollywood producers, who must negotiate with the tight-fisted networks over fees to cover their production costs, are avoiding shows with

elaborate action scenes and expensive locations (partly because such shows are doing poorly on the rerun market). "I sit in on development meetings," says Harris Katleman, president of 20th Century Fox Television Production. "I don't let someone develop a *Star Wars*. It would be crazy. We don't do westerns either, and we don't do big shows that require locations, car crashes and lots of stunts."

This penny-pinching approach could lead to what producer Aaron Spelling calls "bottled shows." "We always want to see someone come driving up to a house and going to the front door," says Spelling. "Now you will hear the car pulling up, the door slamming, and see someone

tions, the networks can produce only a limited number of their own shows and cannot share in the lucrative syndication market (selling the reruns of hit shows to local stations and cable). The networks are lobbying hard to remove such restrictions. Says ABC's Murphy: "The three networks want a level playing field."

The networks are also counterattacking by looking to expand their advertising to magazines, movie theaters, billboards and other media. "We can't depend on promoting next week's shows on this week's, because people are less habitual," says David Poltrack, CBS's senior vice president of planning and research. ABC has started placing commercials on cable.



Saturday night at the movies: cassettes for rent at a New York City outlet

HOME VIDEO has blossomed almost overnight. Network researchers claim that VCR usage adds to their audience because most owners tape network shows and watch them later. But movie rentals have also diverted viewers' attention.

coming into the house. I hate to see that happen." Some shows, like CBS's *Wiseguy*, are being shot in Canada to save money. Others are being jointly produced with foreign companies to spread the costs.

Are chintzy-looking game shows and talk shows in prime time the next step? No, network executives insist. "Our leg up is providing a distinctive service to our affiliates, who more and more are getting their doors knocked on by syndicators," says NBC's Tartikoff. "If you go down in costs, you give up what makes you a distinctive service." Not that distinctive: Geraldo Rivera, whose live specials on Al Capone's vaults and the drug trade have drawn high ratings in syndication, will do an NBC special later this month, *Devil Worship: Exposing Satan's Underground*.

One place the networks have gone in an effort to alleviate their cost squeeze is Washington. Because of federal regula-

NBC has even put flyers for its shows in boxes of TDK videocassettes.

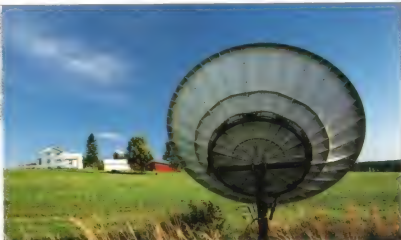
Meanwhile, a subtle shift is taking place in the networks' traditional programming strategy. While all networks still long for a mass-audience hit like *The Cosby Show* or *Who's the Boss?*, they are now more willing to take a chance on shows with a smaller, more targeted audience. ABC's *thirtysomething* and CBS's *Tour of Duty* probably would not have survived on network TV ten years ago. Today, when the audience levels needed for prime-time success are lower, both have been renewed. "*Tour of Duty* gets a 10.8 rating and a 17 share," says Poltrack. "It wouldn't have lasted three weeks in the '70s. But it is considered a good buy [by advertisers] because it appeals to young men. The networks have gone from broadcasting to narrowcasting."

Yet it is mostly business as usual at

FUTURE developments in technology, such as satellite distribution, high-definition TV and fiber optics, may pose more threats down the road.

the networks, a dangerous attitude while new technological advances loom on the horizon. An estimated 2.2 million homes get their TV programming via home satellite dishes. That number could grow as dishes come down in size and cost, especially if companies begin programming directly for the home-satellite audience. Satellite distribution could also upset the traditional relationship between networks and their affiliates. Local news operations can get reports via satellite from syndicated services, or directly from sister stations in other cities, rather than depending on the network. Some news executives warn that stations could one day assemble their own national newscasts instead of picking up the CBS *Evening News* or ABC's *World News Tonight*. Suppliers of prime-time programming too could someday abandon the network middleman and distribute their wares directly to stations via satellite. So far, however, there is no sign that stations are ready to give up the financial rewards of being a network affiliate for the uncertainty of independence.

Another technology that could help



Receiving dish: signals from the skies, with no network middleman

bury the networks is fiber-optic cable, which can greatly increase the number of channels brought into the home. Fiber optics will make possible a new array of home services, such as video shopping and information retrieval. The technology could come more quickly, moreover, if telephone companies are allowed to transmit cable programming over fiber-optic lines: the FCC is contemplating asking Congress to permit just that.

The networks have won at least one round in the fight to stay abreast of new technology. High-definition TV, currently being developed by companies in the U.S., Europe and Japan, will provide a picture of much greater resolution and clarity than present ones have. But many different systems are competing for acceptance, and some could not be delivered over broadcast TV without major retooling. Last month, however, the FCC ruled

The New Season: Boomers and Humors

How tough are times for the networks? Just look at the plight of two of TV's most cherished stars, both returning in CBS sitcoms this fall: Mary Tyler Moore and Dick Van Dyke. The pilot episode of *The Van Dyke Show* (in which Dick plays a Broadway star who helps his son run a regional theater) had to be scrapped and redone when the network decided it wasn't funny enough. Mary's comeback vehicle (she plays a divorced mother who marries a structural engineer with children of his own) also had to be reworked when the producers switched the actor playing Mary's husband. Even after Oct. 26, when both shows struggle onto the air, they will face the daunting task of competing against ABC's high-rated *Growing Pains* and *Head of the Class* on Wednesdays. Their prospects: doubtful at best.

When even big stars do not ensure big audiences, what's a network to do? Strike out in bold new directions, some would say. Play it conservatively, network programmers seem to be responding this fall. By late November, when the strike-impaired season finally musters a quorum of new shows, viewers will find little that is adventurous or likely to lure them back from the increasingly aggressive competition.

The season's most highly touted new drama may be its biggest disappointment. *Tattingers*, co-created by *St. Elsewhere* executive producer Bruce Paltrow, is set in a posh Manhattan restaurant. But while striving for Park Avenue glamour, this NBC show has picked up its plots from Gimbels basement. Super-rich restaurateur Nick Tattinger (Stephen Collins) returns from a stay in Europe and sets about reviving the fortunes of his eatery, fending off a developer trying to strong-arm him into

selling out and attempting to smooth relations with his high-society ex-wife (Blythe Danner, one of several good actors wasted). "This town—it just brings out the extremes in me," says Nick. And in *Tattingers* as well. The '80s genre of tony ensemble dramas, which started with *Hill Street Blues* and runs through *L.A. Law*, has finally crossed paths with *Dynasty*'s low-road glitz.

Another new drama, CBS's *Almost Grown*, takes its cue from last season's yuppie success *thirtysomething*. The two-hour premiere chronicles three decades in the relationship of a New Jersey couple played by Timothy Daly and Eve Gordon. They date in high school during the early '60s (Motown music on the sound track), live together as rebellious college students (psychedelic rock), marry to satisfy their parents and eventually divorce. The bouffant hairdos and nerdy wisecracks lend fun to the flashbacks, but Daly and Gordon face such predictable life crises that one might be reading a textbook on the generic baby boomer. *Almost Grown* will not reach maturity until it addresses more individual, and compelling, problems.

Sitcoms, too, are playing it safe this fall; the ambitious "dramedies" of the past few seasons have mostly been supplanted by old-fashioned gag comedies. That isn't necessarily bad. The season's funniest new show, NBC's *Dear John*, hardly advances the art of the sitcom, but it surely restocks it with human-scale humor. Judd Hirsch stars as a divorced schoolteacher gingerly exploring the single life. On his first visit to a singles group, he meets a sly assemblage of oddballs, including a group leader fixated on sex and a hilariously sleazy skirt chaser (Jere Burns

Video

that any HDTV system approved for transmission in the U.S. must not render existing TV sets obsolete. That seems to ensure that the networks will not be left out.

Where will the networks be ten years from now? The doomsday scenarios come in varying shapes and sizes. As the network audience dwindles, one of the Big Three may be forced to close down or sharply curtail its operations. Or all may survive, but merely as three players in a new, more fragmented competition among eight or ten networks (both broadcast and cable) of nearly equal size. More radical transformations may be in store. Tom Winner, executive vice president and media director for Campbell-Mithun-Esty advertising, predicts that the networks "will ultimately be program services selling product to the highest bidder"—station groups, cable, home video or satellite companies.

Certainly the days of captive audiences and free-spending arrogance are over. "Network television is a mature medium," says Grant Tinker, the former NBC chairman who now runs his own production company. "There is no more audience growth. The universe is what it is." In a survey of top advertisers, Eugene Secunda, professor of marketing at Baruch College in New York City, found that 53% would consider making a significant

shift in their ad dollars if the three networks' share dropped to 65%. "You're dealing with inevitable decline," says Secunda. "It's like those folks who kidded themselves that the Roman Empire was going to go on forever. It was an illusion."

But don't run Sermonette just yet. Despite audience erosion, network TV is still the most pervasive mass medium in the country and a powerful tool for advertisers. "I think we've got a long way to go before the house of cards collapses," says Larry Gerbrandt of Paul Kagan Associates. "On any given night, with any given show, they have the ability to attract a predominant share of the TV audience." Alan Gottesman, media analyst at Paine Webber, asserts, "The next thing you will hear will be the turning of the worm. There is an operating cycle of about two years in this business. Each network has gone through a semicataclysmic change in management. If you add two years to that, you come to the bottom of the cycle. This is the bottom."

The networks, not surprisingly, are making optimistic projections. At CBS, Poltrack is preparing a report for his bosses forecasting what the TV world will be like in the year 1995. It predicts that network shares will stabilize at 63% to

65% and contends that cable's inroads are peaking. NBC president Robert Wright argues that the networks' problems are being overstated compared with those of competitors. "There is more frustration on the small end of the scale," he says. "It is scary, for example, for niche services like the Discovery Channel. They may already have 100% of their audience."

Such predictions may be self-serving. But this is, after all, a TV drama, so let's give it a happy ending. The networks will live on—chastened and less powerful, perhaps, but still the main providers of news and entertainment for the mass audience. Although the explosion of new video choices has been a boon for viewers, the Big Three still serve a unique and important function: providing a communal link, a source of shared experiences, a finger on the nation's pulse. Network shows are the ones we watch together and talk about at work the next morning—not just presidential debates and space-shuttle disasters but the Academy Awards and Johnny Carson's monologue and Thursday night's *Cosby* Show. The networks will survive because we need them.

Or is that just another prime-time fantasy?
—Reported by Mary Cronin and William Tynan/New York and Jeanne McDowell/Los Angeles



Cry of revolt: Goodman and Barr in *Roseanne*



Fast lane: Jackson and toddler in *Baby Boom*



Immature: *Almost Grown*

doing Dan Aykroyd's E. Buzz Miller). Executive producer Ed Weinberger (*Mary Tyler Moore*) and Director James Burrows (*Taxi*) are masters at milking a gag till it comes out grade A, and Hirsch's deadpan timing has never been more acute.

Dear John is just one of a slew of new shows that focus on not-so-swinging singles. Single dad James Naughton copes (tediously) with a teenage daughter in CBS's *Raising Miranda*, and Richard Mulligan mugs (insufferably) as a middle-aged widower in NBC's *Empty Nest*. Meanwhile, Kate Jackson reprises Diane Keaton's role as a Manhattan yuppie trying to juggle a baby and a high-pressure corporate job in NBC's *Baby Boom*. The pilot episode plays too much like a *Reader's Digest* version of the movie (both written by Charles Shyer and Nancy Meyers). But this satire of motherhood in the fast lane can be clever. Mom tells little Elizabeth over the phone, "I'll be home in half a *Sesame Street*." The Big Band music and Woody Allen-

like intertitles give *Baby Boom* a stylish, non-sitcom sheen.

The main upholder of the traditional nuclear family this fall is *Roseanne*. Pudgy comedian Roseanne Barr plays a working-class mom grappling with a dull factory job, three hyperactive kids and her lazy but lovable porker of a husband (John Goodman). Barr's sullen sarcasm—a cross between Erma Bombeck and Alice Kramden—is a cry of revolt against years of cheery sitcom parents. Says Mom after the kids run out the door: "Quick, they're gone. Change the locks."

But beware exaggerated claims for this amusing, one-note series. The working-class ambience doesn't have the authenticity of *The Honeymooners* or the bite of *All in the Family*. And Barr, a veteran of comedy clubs, grins at too many of her own jokes. With its surefire time period (following ABC's hit *Who's the Boss?*), the show stands a good chance of success, but the days of wine and Roseanne could soon grow tiresome. —R.Z.

Education

Balancing Minds and Souls

How Catholic should Catholic colleges be?

Pearl Bailey sang and basketball star Patrick Ewing reminisced, adding a dash of glamour to an event that was beamed by satellite to 37 cities around the country. But the 3,000 other alumni, dignitaries and Catholic clergy who crowded into Washington's cavernous Constitution Hall on Oct. 1 did not come for the star-gazing alone. Their purpose was to kick off a yearlong celebration of the 200th anniversary of Georgetown University, the

80% of its undergraduates were in the top 10% of their high school class. Georgetown, where 40% of the student body is non-Catholic, can afford to reject more than three-quarters of its applicants. Catholic universities, says Father Theodore Hesburgh, former president of Notre Dame, are "first-rate and getting better."

The changes were accompanied by a loosening of control over certain aspects

say it would destroy academic freedom.

Such protesters feel that the special nature of Catholic colleges resides more in the promotion of spiritual values generally than in strict adherence to papal guidelines. Says Sister Dorothy Ann Kelly, president of the College of New Rochelle, a women's school in New York: "If the religious nature of an institution were had only in a theology course, that would be pretty thin." Sister Dorothy Ann's college, for instance, encourages a commitment to social justice through a variety of volunteer programs and by example: it maintains satellite campuses in Harlem and the South Bronx for older women.

For conservative Catholic educators,



Mass at Franciscan University, where 70% of the students voluntarily attend daily services: a doctrinaire approach saved the school from closing

nation's oldest Catholic institution of higher learning. The festivities were a bit early: Georgetown was actually founded in 1789. But that hardly seemed to matter to Pope John Paul II, who sent along his blessings and a pointed message. Though Georgetown's work "now transcends the interests and needs of Catholics alone," he said, its "special value is rooted in its Catholic identity."

Just what that "Catholic identity" is, or should be, is a matter of intense debate in Rome as well as at the 232 Catholic colleges and universities in the U.S. Some 30 years ago, such institutions offered a good, if sometimes narrow, education to children of the Catholic ghetto, few of whom broke away to the wider world of Yale or Radcliffe. Not so today. Following the window-opening influence of the Second Vatican Council in the mid-1960s, many Catholic schools broadened their curricula, admitted more non-Catholic students, turned control of their boards—and sometimes the president's office—over to laymen and enforced rigorous standards of academic research.

In the wake of these changes came a boom in enrollments, endowments and prestige at Catholic schools. The University of Notre Dame, once known mainly as a football factory, now boasts that

of campus life. By and large, required retreats and classroom crucifixes have gone the way of the Latin Mass. Mixed-sex dorms and university-sponsored advice on birth control and abortion are still officially proscribed, but in practice most Catholic schools do not actively police personal behavior. Nor do they turn a blind eye: Georgetown tried unsuccessfully to refuse funding for a gay student group.

The new atmosphere worries Pope John Paul II, who is striving to tighten doctrinal discipline in the church. In 1986 Rome revoked the license of Father Charles Curran to teach theology at the Catholic University of America because of his open questioning of the church's stand on sexual morality. A more sweeping crackdown was hinted at three years ago, when the Vatican proposed a policy that would allow a bishop to strip a school of its Catholic status if it did not meet standards of orthodoxy. The policy, which is expected to be released in final form sometime next year, has drawn fire from Georgetown president Timothy Healy and other prominent U.S. Catholic educators, who

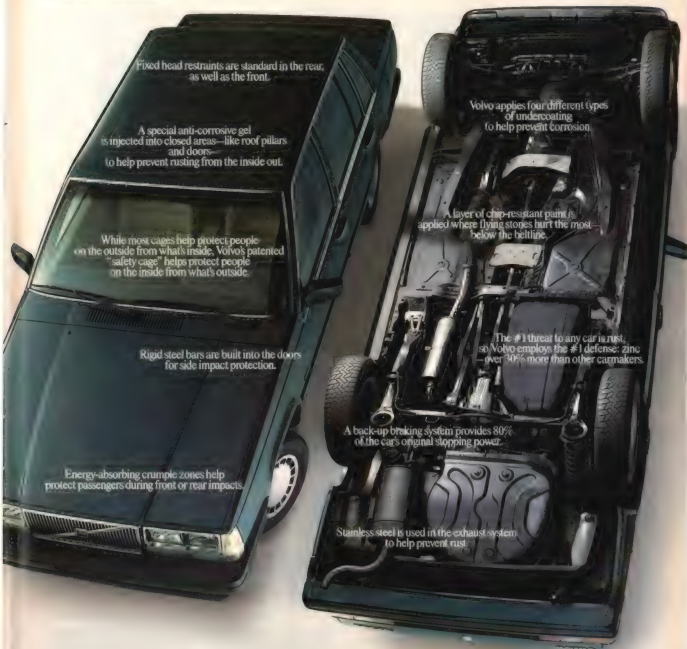
however, that is not enough. "A Catholic college should teach what the Catholic Church teaches is true," says Father Michael Scanlan, president of Franciscan University of Steubenville in Ohio. At Franciscan, that means scrutiny of on-campus lecturers and entertainers to ensure that they will not promote "immorality," and evaluation of faculty on the basis of their commitment to Catholic values. The doctrinaire approach has proved to be one of the school's main attractions. Franciscan was about to close when Scanlan assumed office in 1974 but this year took in its biggest entering class ever.

The issue of how Catholic is to be promises to take on additional urgency as vocations dwindle and clergy retire. By the year 2000, faculty and administrators at Catholic colleges will consist almost entirely of laymen. Keeping an institution identifiably Catholic under such circumstances could be difficult. But, says Sister Dorothy Ann, "we're already there. Most people just don't recognize it."

—By Susan Tiffi
Reported by Michele Donley/Chicago and John E. Gallagher/New York



Kelly: a commitment to social justice



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Religion

Tuesday, the Rabbi Bought PTL

An odd new ownership for the moribund evangelistic empire

As the latest incredible news broke last week at the PTL ministry's forlorn theme park at Fort Mill, S.C., barely a tenth of the rooms were occupied in the Heritage Grand Hotel. Along the adjoining Main Street shopping arcade, stale popcorn was piled unsold in a vendor's cart, and saleswomen without customers knitted listlessly in a crafts shop. Cranes, brought in to construct Jim Bakker's fantasies, stood eerily idle, as they have since scandal struck 19 months ago.

The compound has become Christendom's most lumbering white elephant. Last week an unlikely angel of rescue appeared. He is not a Gospel gladiator but an Orthodox Jew named Stephen Mernick. The reticent 34-year-old Toronto businessman reportedly underwent intensive religious training and holds rabbinical ordination but has never led a synagogue. Meticulously observant, Mernick attends daily synagogue prayers and declined to visit his South Carolina kingdom last week because it was Simhath Torah, celebrating God's gift of the Law.

Mernick's family has long dealt in real estate, and his worth is estimated at \$40 million. Heretofore he has made more mundane investments: landfill sites, travel agencies and assorted properties. He



Heritage USA last week: paltry turnout for street singers; Mernick

Why else would tourists go to "the middle of nowhere"?

negotiated with M.C. ("Red") Benton, the wily PTL trustee named by a federal bankruptcy court, outbidding another Canadian with a \$115 million offer. Some \$65 million of that is supposed to be dispersed eventually among PTL creditors, the IRS and the 114,200 "lifetime partners" who each gave Bakker \$1,000 or more to help develop the ministry.

So what's a Jewish entrepreneur going to do with a 500-acre Christian theme park, a born-again retirement village and North America's biggest all-Christian cable TV network (sent to 13 million homes, 2 million fewer than before the scandal)?

"I have made no decision whatsoever," he told a press conference but said the project, with 1,700 undeveloped acres, is a good investment with excellent "breakup value." The local church that Bakker founded is not involved.

Jim and Tammy, lately encamped nearby in a disciple's mansion, failed to make good on a \$172 million offer but hope vaguely to return to their Valhalla. Jim questions whether the hotel can be filled again without a star evangelist. Him, for instance. The demoralized Fort Mill staffers are mostly relieved that the chaos has ended, at least temporarily. "All of us just want somebody to take it and carry on," said Dean Chandler, the hotel's service manager.

The TV operation, which has dropped the dread PTL name in favor of the Inspirational Network, claims to make \$250,000 a month. It could be spun off, if Mernick feels uncomfortable

presiding over such soul-saving shows as *Zola Levitt Presents*, which aims openly at persuading Jews to follow Jesus. One dubious PTL officeworker figures that to save his investment Mernick may have no choice but to foster evangelistic Christianity. "People can go anywhere for a theme park, hotel or campsite," the worker says. "Why would they want to come out here in the middle of nowhere? The reason is simple. This place is different. People come here because they want the Christian atmosphere."

—By Richard N. Ostling.

Reported by Joseph J. Kane/Fort Mill and Greg W. Taylor/Toronto

Milestones

BORN. To *Sissy Spacek*, 37, befreckled Oscar-winning actress who specializes in rustic heroines (*Coal Miner's Daughter*, *The River*); and her husband, film director *Jack Fisk*, 42 (*Raggedy Man*); their second child, second daughter; in Virginia. Name: Virginia Madison Fisk. Weight: 8 lbs. 4 oz.

SEEKING DIVORCE. *Robin Givens*, 23, actress: from boxing champion *Mike Tyson*, 22, following a stormy eight-month marriage; on the grounds of irreconcilable differences: in Los Angeles. In a televised chat with *Barbara Walters* in their New Jersey mansion two weeks ago, Givens described the boxer as a manic depressive and their union as "pure hell." By seeking divorce under California law, she will demand half of the community property, said her attorney, Marvin Mitchelson.

CHARGES DROPPED. Against *Carl Rowan*, 63, newspaper columnist and former diplomat: in Washington. Rowan had been charged with possession of an unregistered handgun after he shot a teenage intruder at his home in the predawn hours of June 14. Two weeks ago, a mistrial was declared after a jury failed to reach a verdict on the gun charges.

DIED. *Generoso Pope Jr.*, 61, millionaire owner of the gossip-mongering tabloid *National Enquirer*; of a heart attack; in Atlantis, Fla. His pioneering mix of gore and celebrity scandal built circulation to 4.5 million—and led to libel suits by Cary Grant, Carol Burnett and other stars.

DIED. *Franz Josef Strauss*, 73, bluff, bullet-nosed West German political boss who wielded power far beyond his posts as

minister-president of Bavaria and head of the rightist Christian Social Union party; of circulatory failure; in Regensburg, West Germany. He rebuilt West Germany's armed forces as Defense Minister in the 1950s, but was forced from office in 1962 after he ordered the arrest of *Der Spiegel*'s publisher and a writer for criticizing West German military readiness.

DIED. *George Hatem*, 78, known in China as Ma Haide (Virtue from Across the Seas). American émigré doctor who led the effort to eradicate syphilis, gonorrhea and leprosy from the People's Republic of China; of cancer and diabetes; in Beijing. Hatem in 1933 began treating the ravages of venereal disease in Shanghai. Following the Communist victory in 1949, he helped direct the campaign to shut down brothels and rehabilitate prostitutes.



EDGAR DEGAS, METROPOLITAN MUSEUM OF ART, PARIS

Whatever else may be wrong with the late American art industry, we are living in the golden age of the retrospective exhibition. One by one, the great artists of the 19th century have been done over the past decade: Cézanne, Manet, Courbet, Van Gogh, Gauguin—and now Edgar Degas. We may deplore the crowds at these shows, the souvenir selling, the social circus and the TeleTron tickets at up to \$7.75 apiece, an outrageous tax on knowledge. Ear-plugs—preferably not attached to Acoustiguide gadgets—and yogic detachment are needed. There are, as crusty old Degas said, some kinds of success that are indistinguishable from panic. But such shows will not be repeated in our lifetime.

Seeing Degas As Never Before

A superb retrospective of the great French realist opens in New York City

BY ROBERT HUGHES

Not in 50 years has there been a major Degas retrospective, and probably never again will so many of his drawings, paintings, prints and sculptures be assembled in one place at one time as in the huge show of more than 300 works that opens this week at New York City's Metropolitan Museum of Art. Nor are we likely to see again such a massive scholarly effort—literally massive: the catalog, with its essays by art historians Jean Sutherland Boggs, Douglas Druick, Henri Loyrette, Michael Pantazzi and Gary Tinterow, weighs a tad over 16 lbs. Thanks to their efforts and those of the three museums that mutually organized the show—the Musée d'Orsay, the National Gallery of Canada and the Met—we have the means to see this extraordinarily complicated and sometimes elusive painter with a completeness not possible before.

It is curious that it should have taken so long. There was not even a full-scale bi-

ography of Degas until 1984, when Roy McMullen's *Degas: His Life, Times & Work* was published. Aspects of Degas's work—mainly his ballet paintings from the 1880s—have long been popular with a broad audience, too much so for their own good. But he has never been a "popular" artist like the wholly inferior Renoir, whose 1985 retrospective in London, Paris and Boston beguiled the crowds and disappointed everyone else. Degas was much harder to take, with his spiny intelligence (never Renoir's problem), his puzzling mixtures of categories, his unconventional cropping, his "coldness." The long continuities of his work have not always been obvious. Degas was the most modern of artists, but his kind of modernity, entailing a passionate working relationship with the past, hardly exists today. How we would have bored him, with our feeble jabber of post-modernist "appropriation!"

In his late years, Hilaire Germain Edgar Degas was chatting in his studio with one of his few friends and many admirers, the English painter Walter Richard Sick-

ert. When they decided to visit a café, young Sickert got ready to summon a horse-drawn cab Degas objected. "Personally, I don't like cabs. You don't see anyone. That's why I love to ride on the omnibus—you can look at people. We were created to look at one another, weren't we?" No passing remark could take you closer to the heart of 19th-century realism: the idea of the artist as an engine for looking, a being whose destiny was to study what Balzac, in a famous phrase that declared its rebellion from the theological order of Dante's *Divine Comedy*, called *La Comédie Humaine*.

The idea that the goal of creative effort lay outside the field of allegory and moral precept was quite new in the 1860s, when Degas was coming to maturity as a painter. The highest art was still history painting, in which France had reigned supreme, but since 1835 practically the whole generation of history painters on whom this elevation depended—above all, Delacroix and Ingres—had died, and no one seemed fit to replace them. French



NUDE WOMAN HAVING HER HAIR COMBED, CIRCA 1886-88

The Artist As Voyeur

Degas's nudes seem to be done from a point outside the model's awareness, as though she did not know he were there and she were not actually posing. "I want to look through the keyhole," Degas said.

critics and artists alike, and conservative ones in particular, felt a tremor of crisis, as others would a century later as the masters of modernism died off. After them, what could sustain the momentum of culture?

And yet, beyond the ruins of the temple, something else was stirring: a sense of the century as unique in itself, full of what Baudelaire called the "Heroism of Modern Life." Its chief bearers, in painting, were to be Manet and Degas.

Born in 1834 into a rich Franco-Italian banking family with branches in Paris, Naples and New Orleans, Degas

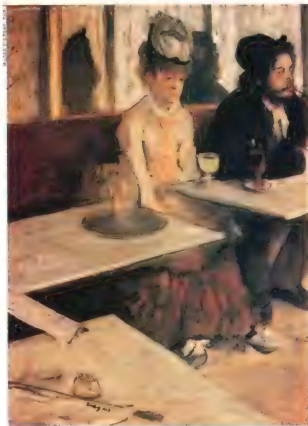
was never short of money, and he never doubted his vocation as a painter, in which his family encouraged him. He was a shy, insecure and aloof young man; if one did not know this from the testimony of his friends, one would gather it from his early self-portraits, with their veiled look of mannerist inwardness acquired from Pontormo. It seems he was unusually devoid of narcissism: unlike almost every other 19th century painter one has heard of, he gave up painting his own face at 31. It was the Other that fascinated him, all faces *except* his own.

In time he would construct a formida-

ble "character" to mask his shyness: Degas the solitary, the feared aphorist, the Great Bear of Paris. He never married—"I would have been in mortal misery all my life for fear my wife might say, 'That's a pretty little thing,' after I had finished a picture." He had a reputation for misogyny, mainly because he rejected the hypocrisy about formal beauty embedded in the salon nudes of Bouguereau or Cabanel—ideal wax with little rosy nipples. "Why do you paint women so ugly, Monsieur Degas?" some hostess unwisely asked. "Because, madam, women in general are ugly." This was a *blague*, a put-on.



THE BELLELLI FAMILY, 1858-67



THE ABSINTHE DRINKER, 1875-76

Art

To find Degas's true feelings about women, one should consult the pastels and oil paintings of nudes that he made, at the height of his powers, in the 1880s and '90s. Their bodies are radiant, worked almost to a thick crust of pastel matte and blooming with myriad strokes within their tough winding contours. But they are also mechanisms of flesh and bone, all joints, protuberances, hollows, neither "personalities" nor pinups. (One sees why Duchamp, inventor of the mechanical bride, adored and copied Degas.)

Not even *Nude Woman Having Her Hair Combed*, circa 1886-88, the most refined and classical of these nudes, seems in the least Renoiresque, though nothing could be more appealing than that pink, slightly blockish body against the gold couch and the regulating white planes of peignoir and apron. It was a subject to which Degas brought special, almost fetishistic feeling, and a later version of the same theme, *The Coiffure*, 1896, shows what a vehicle for innovation it could be: the contours of the woman and her maid are now roughed out with an almost fauve abruptness, and they emerge from a continuous orange-russet field that seems to predict Matisse's *Red Studio*, 1911.

Degas's "keyhole" bathers provoked the crisis of the Ideal Nude, whose last great exponent had been the man Degas most revered, Ingres. Yet their exquisite clarity of profile could not have been achieved without Ingres's example. In them, the great synthesis between two approaches that 30 years before had been considered the opposed poles of French art—Ingres's classical line, Delacroix's romantic color—is achieved. There is no clearer instance of the way in which true innovators like Degas do not destroy the past (as the mythology of avant-gardism insisted): they amplify it.

Nothing escaped Degas's prehensile eye for the texture of life and the myriad gestures that reveal class and work. He made art from things that no painter had fully used before: the way a discarded dress, still warm from the now naked body, keeps some of the shape of its wearer; the unconcern of a dancer scratching her back between practice sessions in *The Dance Class*, 1873-76; the tension in a relationship between a man and a woman (*Sulking*, 1869-71) or the undercurrent of violence in an affair (*Interior*, sometimes known as *The Rape*, 1868-69); a laundress's yawn; the stoned heaviness of an absinthe drinker's posture before the dull green phosphorescence of her glass; the exact port of a dandy's cane; the professional absorption of the *petits rats* of the ballet corps; the look in a whore's eye as she sizes up her client; the revealing clutter on a writer's desk.

Degas did not suddenly become a realist. What happened was more subtle: grad-

ually this quintessential young bourgeois discovered what was to be seen from the eyeliner of the bourgeoisie. But his eye for the instant gesture and socially revealing incident went with a lifelong habit of recycling poses and motifs, patching them in. Thus he can be very deceptive: the image that seems the freshest product of observation turns out to have been used half a dozen times before. Degas copied everything from Mantegna to Mogul miniatures, and even the work of lesser painters than himself; an artist, he said, should not be allowed to draw so much as a radish without the constant habit of copying the Old Masters.

Allegory, in his early work, went with the desire to see freshly—and it

Degas was the most modern of artists, but his kind of modernity, entailing a passionate working relationship with the past, hardly exists today.

would return in strange forms in his old age, like the 1896-98 painting of a fallen jockey whose horse may distantly refer to one of the steeds of the Apocalypse, or the *Russian Dancers* of 1899, three women in clumping boots, locked together in a straining mass like Goya's witches. Both the allegory and the freshness can be found in his first real masterpiece, done in 1858-67 after he got back to Paris from his studies in Rome: *The Bellelli Family*, that marvelously observed group portrait of his neurotic aunt Laura, her lazy and distracted husband Gennaro and their two daughters. For though it is a tour de force of realist observation—how much more concrete and present the Bellellis seem to us, surrounded by the furniture and other stuff of their lives, than the people on the neutral brown grounds Manet borrowed from Velázquez!—it is also an allegory of family continuity under stress. The drawing on the wall behind Laura Bellelli is Degas's grandfather Hilaire, and she is pregnant, so that four generations, not two, are present in the picture.

You cannot fail to associate this with Degas's own working methods, the sense of filiation and descent that would breathe through his work for the rest of his life, the past feeding into the present and then out into the future. Degas, the synthesizer of Ingres and Delacroix, would point—through the wild color fields and direct manual touch of his later years—to a modernism that was not yet born. ■



THE DANCE CLASS, 1873-76



THE ORCHESTRA OF THE OPERA, CIRCA 1870

Cinema

Other Voices, Other Rooms

ANOTHER WOMAN Directed and Written by Woody Allen

A woman sublets an apartment. Because of an architectural quirk, she discovers she can overhear her neighbor's conversations. Since he is a psychiatrist, she finds herself eavesdropping, against her will, on the high, mysterious emotions pouring forth from his consulting room.

There are several ways to go with that situation. An old-time Hollywood screenwriting team might have used it for romantic comedy; there is a "cute meet" lurking in it. Hitchcock might have found in it the premise for suspense; it blends the quotidian and the voyeuristic in a way he would have liked. The young Woody Allen might even have made a farce of it.

But *Another Woman* is the work of the mature Allen, who has aspired to Bergmanesque seriousness and, after *Interiors* and *September*, has finally achieved it. His film is a variation on the master's masterpiece, *Persona*, but it has what Allen's other emulative exercises lacked,



Rowlands and Hackman: subtlety, control and precision in an ensemble cast

A lucid, compassionate movie that explores the consequences of caution.

namely wit. Not that there are laugh lines in *Another Woman*. But the subtlety of its structure and the tender irony with which it contemplates an emotionally guarded woman being drawn into confrontation with her past demonstrate lucidity and compassion of an order virtually unknown in American movies.

Marion (played by Gena Rowlands in

a clear, precise, controlled performance) is a woman who has willed the emotional confusion out of her life. A philosopher (she has taken this second apartment as a quiet place to write a book), she is married to a prosperous surgeon who makes no unreasonable demands on her time or emotions. Why then is she drawn to a particular voice from the next room? Prob-

RETURN INVEST

THE BEST-KEPT SECRET IN THE INVESTMENT WORLD.

bly because change has opened a breach in her defenses, and she recognizes in the speaker a voice she long ago stilled in herself. Actually it belongs to a woman called Hope (Mia Farrow), great with child, great with inchoate dreams and feelings too. Curiosity leads to obsession; soon Marion is following Hope in the streets, even making friends with her.

In pursuing Hope, Marion is, of course, also seeking self-knowledge. For this woman is her obverse double, embracing the mess and confusion Marion has spent her life avoiding. We never learn what troubles Hope. She is more device than character. But the chase diverts Marion still further from her habitual paths, opening her to chance encounters with figures from her past, who in turn trigger memories and fantasies that make her see how she has ducked life's embrace. She has turned a best friend into a bitterly disappointed acquaintance; pregnancy into abortion; what might have been a passionate, lifesaving affair into an occasion for romantic rue.

The elegant assurance of Allen's transitions in time and the perfection of an ensemble cast (special mention to Gene Hackman as the rejected lover) are admirable. They enrich the hypnotic power with which a complex movie explores that inevitable mid-life moment when we must count the costs not of our incautions, but of our cautions.

—By Richard Schickel

Knockdown Duel

PUNCHLINE Directed and Written by David Seltzer

Lilah Krytsick (Sally Field) is discovered skulking into the kind of 24-hour diner that, in movies, betokens a Mafia presence. And sure enough, a disreputable little man is soon slipping her a mysterious packet. Dope? Money for laundering? No, jokes. As it turns out, terrible jokes. Jokes that produce a distillation of pure flop sweat when she tries them out at a comedy club called the Gas Station, where beginning comics mostly improvise their own humiliations. For Lilah is a bored New Jersey housewife who has been told all her life that she is a funny lady and dreams of public confirmation of that status. Steve Gold (Tom Hanks) is a sort of drug-free Lenny Bruce, brilliantly spritzing free-associational social comment and autobiography. If Lilah is trying to escape the traps of the lower-middle class, Steve is trying to avoid the respectability and stultification of the upper-middle class.

Will they meet? Will he try to be her mentor? Will she try to mother him? Need you ask? Will these two succumb to romantic entanglement? Well, no. Despite nicely managed temptation, they

avoid it, and credit goes to David Seltzer for that intelligent choice. And for a movie that is full of terrific comic material and well-cast second bananas (John Goodman as Lilah's befuddled husband, Max Alexander and Mac Robbins as ne'er-do-well comedians).

But Seltzer is not able to maintain a crucial balance: the one that his script intends between his two stars. Field is, as always, coolly expert, but with as much mystery about her as a bottle of



Hanks runs amuck

Mop & Glo. Hanks, on the other hand, is our reigning master of desperate expediency. His amuck parody of Gene Kelly's *Singin' in the Rain* number goes into realms beyond performance.

But Field's company co-produced the picture before

Hanks was *Big*, and Oscar-winning stars do have certain hierarchical rights. In the final sequence, where Lilah and Steve must duel onstage over a TV contract, his routine is muted and cut to clear the way for her star turn. And she gets to make all the interesting moral choices. But that is just Hollywood housekeeping—neatening up after the picture has been stolen. —R.S.

WOMEN'S MOVIE

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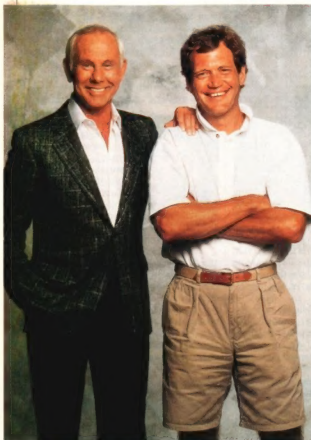
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That's the Ticket!

"Come on," David Letterman likes to say, "it's only television." But is it? As late-night czars Johnny Carson and Letterman go, so goes the nation. A joke from either can fell the mighty. What a ticket for the White House! But in the Nov. 3 *Rolling Stone*, Letterman takes note of fellow Indianan Dan Quayle and says, "I wouldn't run. It's like watching someone being pushed out of a truck at high speed." He adds, "We're just people who come to work every day and do comedy." But the same can be said of politicians.

Next Year's Nobel?

At 5 ft. 11 in., Ray Bateman Jr., is tall for his 14 years. He also doesn't act his age. Last week the high school freshman from Huntington Beach, Calif., addressed the American Federation for Clinical Research on a new form of chemotherapy that is, experimentally, more than 50% successful. What is all the more stunning is that Bateman, who worked on the project with cancer researcher Dr. Glenn Tisman, 46, has yet to take a basic chemistry course. Busy fine-tuning the effects of the drug 5-Fluorodeoxyuridine, the prodigy can just squeeze in stereo systems, computers, rock and



baroque music, Reeboks and a dog named Spike. "I don't read novels or that stuff," he says. "Usually I'm reading books like *Pharmacologic Principles of Cancer Treatment*." What will he do when he turns 15?

How to Succeed in Business

Boss falls ill. Secretary steps in. Secretary wins a big contract and becomes a star. Due in December, *Working Girl* might be described as 42nd Street via Wall Street, with Melanie Griffith (*Something Wild*) pitting steno-pool tactics against M.B.A. hardballers. Says the film's director, Mike Nichols: "She's like a carefully shielded atomic reactor, with an intense glow in the middle. She doesn't act. She arrives alive." With that kind of energy, Griffith's career—despite her pose below—is certainly off the ground.

